2019 Annual Report

PRIME Investment Fund

UNIVERSITY OF ALBERTA
ALBERTA SCHOOL OF BUSINESS

Contents

During 2019, the PRIME Fund returned 17.73%, underperforming the S&P/TSX Composite Index by 5.15%

Since inception, the Fund's compound annual growth rate is 8.46%, while that of the S&P/TSX Composite Index is 5.73%

Program Director's Message

Keith Walton

2019 was a year filled with news. The current president of the USA has been working on changing how trade works around the world. This is causing a lot of turmoil in the markets with tariffs being imposed as well as the general rhetoric that is read in the news media. As a result, it has been a great learning experience for the students.

Internally, a culture has developed within the program where the student managers provide guidance to their analysts not only on portfolio matters, but also on career and life matters. The students become a team that truly works together to ensure all members succeed. A virtuous cycle has developed where the overall level of knowledge within the group increases which helps the students succeed in their summer jobs and often leads to them being offered permanent positions. Once they are alumni, they reach back into the program to provide advice, mentorship and potential jobs to the current students.

PRIME continues to work with Edmonton Women in Finance, a group of professional women in the finance field, to put on an event for female business students considering a career in finance. This event included a presentation on financial markets and the opportunity to speak with professionals about their experience in the field. The event was very successful again this year. I believe that continued education about the job opportunities in finance will help improve the number of women applying to the program. In addition, we have set up a mentor group made up of female PRIME alumni that the current females in the program will be able to contact and talk to for career advice.

The nuts and bolts of PRIME are what they have been since the beginning. That is, a select team of third- and fourth-year Alberta School of Business students that have been tasked with running a Canadian equity portfolio with a long-term horizon. The details in the pages that follow show that, since inception, PRIME's performance track record has been exemplary. These pages also show that relative performance in 2019 was disappointing. While the PRIME Fund earned a total return of 17.73% over 2019, it lagged the S&P/TSX Index's total return of 22.88%. While we are disappointed with the year's results, we remain confident that, by adhering to our style, long-run results will continue to be excellent.

I would like to thank the PRIME Fund's client, the University of Alberta Endowment fund and the Edmonton CFA Society for their efforts. I would also like to thank the Fund's mentors for their time and knowledge in helping the students become better analysts and managers. Lastly, but certainly not least, I would like to thank the growing alumni that are in the business community. Your support and advice are very important and much appreciated. The quality of our graduates is a testimony to your efforts.

Keith Walton
PRIME Program Director

About Us

Our History

The Program for Research and Investment Management Excellence (PRIME) consists of a select group of business students who are given the opportunity to gain equity analysis and portfolio management experience. PRIME combines traditional academic objectives with the practical demands of hands-on investment analysis and portfolio management. Participating students gain valuable industry experience utilizing real-time sources of information, generating quarterly and annual reports while interacting with mentors within the Alberta Finance community. The mentors provide guidance and advice to students through one-on-one discussions and educational seminars on investment topics of interest.

The PRIME program was established in September 1999 as a joint venture between the University of Alberta School of Business Endowment and the Edmonton CFA Society. The fund was established to provide U of A finance students with investment experience in an institutional setting. PRIME students gain an equivalency to one year's work experience to potential employers, placing graduates in an advantageous position for employment opportunities. Essentially, PRIME is a high-quality practicum for ambitious undergraduates with an interest in investment analysis and management.

The fund has grown over the years and is now valued at over C$1,700,000. In 2019, PRIME celebrated its twentieth anniversary and has, to date, over 170 alumni. The Program Director, Keith Walton, celebrated his third year of guiding students through the program and sharing his extensive knowledge of the financial industry.

PRIME Year in Review

Over 2019, the PRIME fund returned 17.73%, underperforming the S&P/TSX Composite by 5.15%. Performance was led by attribution within Health Care, Consumer Discretionary and Communication Services, but was weighed down by broad underperformance, notably in Information Technology, Energy, and Materials. Of the fund's 5.15% underperformance, 0.37% can be attributed to sector allocation, while stock selection detracted 5.51% from overall performance.

Despite strong returns in the IT sector, the sector underperformed the benchmark primarily due to the fund not holding a position in Shopify (TSX: SHOP), which returned 173% over the year. The Energy sector underperformed as a result of limited exposure to the midstream segment, which performed well during the year. Trade restrictions, lower international steel demand, and a poor U.S. farming season led to poor overall performance by Stelco Holdings (TSX: STLC) and Nutrien (TSX: NTR) in the Materials sector. The Financials sector merely underperformed the benchmark due to weak performance from Bank of Montreal (TSX: BMO) who suffered due to fluctuating earnings in their Wealth Management and Capital Markets divisions, as well as diversifying into the U.S. Midwest. The Industrials sector exited their position in New Flyer Industries (TSX: NFI) due to the company's lost distribution agreement with Daimler and increased cost-base, which was the sector's weakest performer over the year. The Utilities sector underperformed given increased capital allocation to the sector with decreasing yields, an increased emphasis on ESG, and increasingly viable economics in renewable energy. The fund's only Real Estate holding, Tricon Capital (TSX: TCN), underperformed with marginal results despite increased acquisition activity. The thesis for TCN no longer holds, and the sector plans to divest its position to add a new name to the sector. Despite long-term conviction in Loblaw (TSX: L) which was added to the fund this year, our entry point was after much of the holding's growth was realized for the year, leading to underperformance in the Consumer Staples sector.

From a relative allocation perspective, the fund benefited from the deterioration of valuations in the cannabis industry, as we do not hold a position in the Health Care sector. Outperformance in the Consumer Discretionary sector was a result of strong returns from Dollarama Inc. (TSX: DOL) due to an ahead of schedule growth plan and strong growth in same-store sales. The fund's position in TELUS (TSX: T) allowed the Communication Services sector to outperform, given the company's strong sales growth and increase in Western Canadian average billing per user.

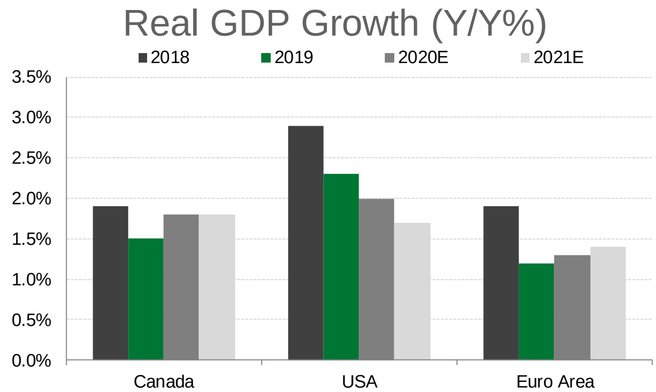
2019 Macroeconomic Review

2019 had a strong rebound in the equity markets as a result of ongoing trade discussions and global central bank policies, collectively improving sentiment in the equity market compared to 2018. As the year progressed, however, elevated market uncertainty arose from political pressures and the ongoing tension between the United States and Asia. In addition to trade uncertainty, increased volatility in the equity markets was a combination of various factors, including falling oil prices, the tightening of monetary policy, and a slowdown in company earnings growth.

The S&P/TSX Composite benchmark returned 22.88%, with the NASDAQ and DJIA returning 37.89% and 23.76% respectively. Most sectors were broadly strong performers across the U.S. and Canada, with the main shortcomings occurring in the Canadian Health Care sector. Strong Canadian equity performance was driven by Canadian Information Technology and Utilities, as well as the continued robustness of the Industrials and Financials sector in both the U.S. and Canada.

Despite uncertainty on a global scale, Canadians benefited from an improved housing market, job and wage growth, and continuing business and fiscal expenditure. Consumption spending stagnated due to financial pressures. Ending the year, the services sector dominated the labour market, with 78% of labour in the country attributed to the area.

2020 Macroeconomic Outlook



Volatility is expected to continue moving into 2020, driven by market-moving geopolitical events occurring amidst a backdrop of tightening global financial conditions. Regarding trade uncertainty, we expect to see easing tensions between the U.S. and China with the signing of the Phase One trade deal. If this deal materializes, it will help ease tensions after what has been 18 months of conflict, tariffs, and global uncertainty. We expect that tariffs will begin getting removed from various products that are classified within the Phase One deal. Looking later into 2020, we are likely to see a holdout in any additional progress with China as the U.S. will be entering an election year. Reelection will likely be the Federal Government's priority, and following the election, we will see the new government continue with the negotiations.

The Canadian economy had a strong start in 2019 with significant job creation and historically low unemployment rates, but has started to cool off as we head into 2020. We believe that issues including elevated leverage in Canadian households and a lack of takeaway capacity in the Energy sector could inhibit economic growth prospects. Canada continues to see a lack of investment interest towards the Energy sector as pipeline construction delays and wide differentials continue to exist. Additionally, we expect that the Bank of Canada will cut rates in the second half of 2020 as they continue to monitor the broader economy and domestic resilience, particularly regarding household leverage.

Brexit is another major event that we believe will have global ramifications moving into 2020. At the end of 2019, Boris Johnson and his Conservative party won a safe majority in the general election with the main campaign promise of making Brexit happen. The new deadline for Britain to leave the E.U. is January 31, and there is a high probability it will occur, whether a deal is made with the E.U. or not. This situation could serve as a catalyst for increased geopolitical uncertainty and concerns within Europe, as there are no deals in place between the nations and negotiations remain unsolved in regards to trade, travel, and regulations.

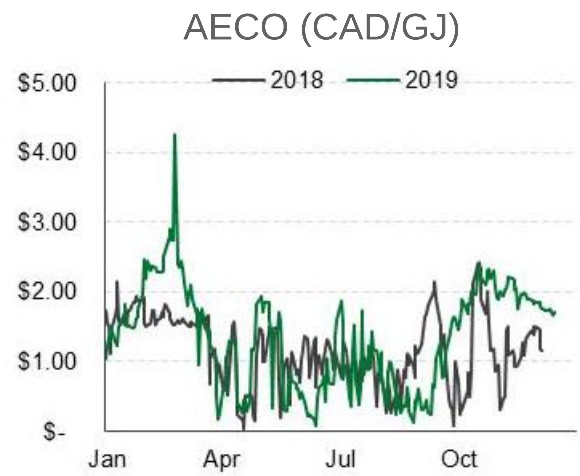
Interest Rates

In the final meeting of 2019, the U.S. Federal Reserve held the short-term rate target range flat at 1.5% to 1.75%. However, the Federal Reserve did cut rates three times throughout 2019, citing muted inflation pressures and changes in the global economic outlook. Many economists believe that these rate cuts were unnecessary and it seemed that the Federal Government was able to influence this independent body through direct messaging from the President or through fiscal policy causing a serious re-examination of market realities. Looking forward to 2020, we will likely see minimal action from the Federal Reserve as we are entering an election year, and Jerome Powell has signalled he will wait until after the election to change rates.

The Bank of Canada kept its key interest rate at 1.75% throughout 2019. CPI inflation, and other measures of core inflation, are around 2%, and this is consistent with an economy operating near capacity. The Bank of Canada stated that they will continue to monitor the effects trade conflicts will have on the Canadian economy, notably consumer spending and housing activity. As a result, the BOC has slowly been revising growth estimates for 2020 downward throughout the year and currently is projecting growth of 1.7% in 2020. Employment data will be essential to follow as Canada added 320,000 jobs in 2019, but most of those gains came in the first three quarters of the year. In Q4, Canada lost 37,800 jobs with significant losses in Alberta and Quebec. We believe that as Canada begins to feel the effects of trade conflicts around the world, the BOC will look towards cutting rates in the second half of 2020 for the first time since 2015.

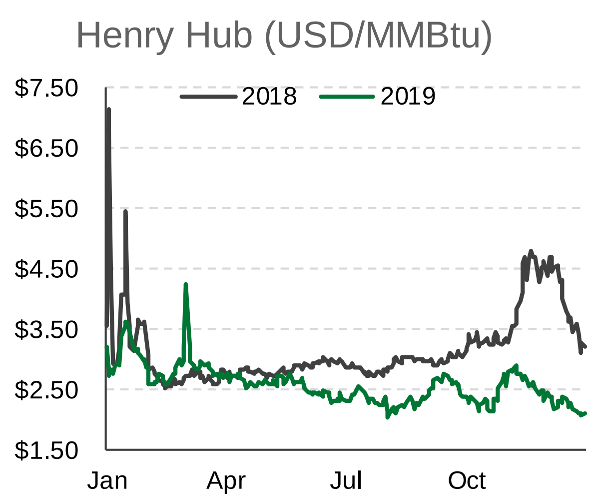
Natural Gas Market Commentary

AECO



AECO prices were near US$2.00/MMBtu at the end of 2019 and traded between US$0.10/MMBtu-US$5.25/MMBtu during the year. The price range for AECO narrowed in the second half of 2019 as access to Nova Gas Transmission Line (NGTL) storage facilities improved due to the Temporary Service Protocol (TSP) taking effect. This change improved access to storage facilities allowing for more predictable access to storage and more stable pricing for the commodity. Maintenance progress for the NGTL and the completion of North Montney Mainline occurring in Q2 of 2020 will also allow Northern British Columbia producers greater access to the NGTL network. In September, the Canadian Energy Regulator instated the TSP to amend TC Energy's operations of their NGTL network. This was done to improve access to storage during maintenance and construction on the NGTL in the shoulder seasons for gas producers. As a result, this narrowed the AECO basis to Henry Hub substantially, effectively re-connecting the Western Canadian gas market with North America. AECO withdrawals averaged only 0.8 Bcf/d earlier this winter which was about 0.2 Bcf/d below the five-year average withdrawal rate. This reduction in demand has eased the Western Canadian natural gas storage deficit which could lead to tempered AECO pricing if this trend continues. Given these circumstances, we estimate AECO to trade between the range of US$1.75/MMBtu-US$1.95/MMBtu throughout 2020 while trading at a US$0.15/MMBtu-US$0.35/MMBtu discount to Henry Hub in 2020.

Henry Hub

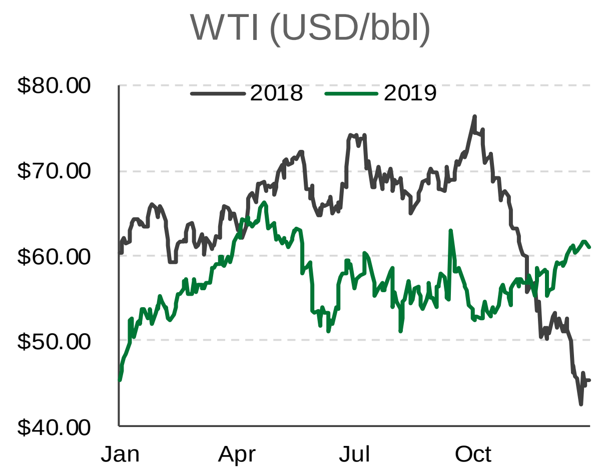


Henry Hub Natural Gas futures prices ended 2019 at US$2.18/MMBtu and traded between US$2.03/MMBtu-US$3.70/MMBtu throughout the year. The decline in Henry Hub pricing was due to unusually warm winter weather severely hindering natural gas demand, leading to curtailment risks for North American liquefied natural gas exports. With lower natural gas demand and pricing, we expect that producers may temporarily shut-in marginal production to bring storage levels closer to the five-year average in an attempt to bolster Henry Hub pricing. An additional catalyst for stronger pricing may also be the Permian Highway Pipeline, which will transport up to 2.0 Bcf/d of natural gas to the Gulf Coast and is scheduled to be in-service Q4 of 2020. The EIA expects monthly U.S. natural gas production to begin the year at 95.4 Bcf/d in January and to decrease 3% throughout the year. This production forecast represents a 2% increase in 2020 natural gas production before an expected 2% decline in 2021. At these production levels, the working inventory at the end of October is estimated to reach a record high of 4.1 Tcf. Associated gas represents 1/3 of total U.S. natural gas supply. As North American E&P's drastically reduce 2020 capital programs in the wake of very low crude oil and natural gas prices, we expect to see production declines in U.S. associated natural gas production throughout 2020 as a result of reduced field activity. Given these circumstances, we estimate Henry Hub Natural Gas futures to trade between US$1.90/MMBtu-US$2.10MMBtu for the first half of 2020 before strengthening to the US$2.20/MMBtu level for the remainder of 2020.

Crude Market Commentary

WTI

WTI Crude prices started off at yearly lows of US$46/bbl before quickly rising to a yearly high of US$66/bbl in April. Prices continued fluctuating between the US$50/bbl-US$60/bbl range for the remainder of 2019. Higher prices were seen in April as China experienced significant GDP growth and U.S. crude stockpiles decreased. In 2019, crude oil underwent several price reactions related to geopolitical tensions such as the U.S.-China trade negotiations and when Iran fired land-based missiles at Saudi Arabia's Saudi Aramco facilities in September. This temporarily reduced global crude production by 10% leading to a US$10/bbl swing in WTI Crude prices. In response to lower demand forecasts, OPEC agreed to cut production by 1.7 MMbbl/d with



Saudi Arabia undergoing an additional 400 Mbbl/d of voluntary cuts in Q1 of 2020. OPEC production estimates were lowered further due to Libyan production outages bringing OPEC's total production down by ~1.0 MMbbl/d for Q1 2020. Given these circumstances, we estimate that WTI Crude prices will average US$40.00/bbl in 2020 with the price trading between US$38.00/bbl-US$42.00/bbl.

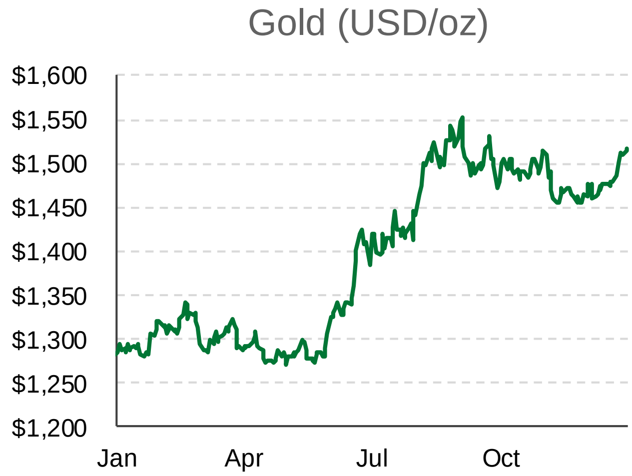
WCS

WCS Crude prices started the year at US$30.00/bbl before quickly rising to a yearly high of US$56.00/bbl in April. Prices continued fluctuating in the US$34.00/bbl-US$56.00/bbl range for the remainder of 2019. WCS Crude prices increased early on as a result of Alberta's production curtailments before falling due to easing curtailments, low crude-by-rail volumes, and pipeline bottlenecks. These factors led to a wider WCS-WTI differential in the first half of 2019. The WCS-WTI differential faced additional struggles in the second half of 2019 because of an oil spill on the Keystone Mainline (October) and CN Rail strikes lowering export capacity (November). The Line 3 Replacement was delayed by a year in early 2019, and the Alberta government decided

to extend Alberta's production curtailments until the end of 2020 in an attempt to maintain reasonable storage levels. Alberta introduced a Special Production Allowances (SPA) program allowing Albertan producers to exceed the curtailment limits if the additional production is to be exported by rail. Crude-by-rail volumes increased substantially in 2019 and are expected to maintain higher volumes around 400 Mbbl/d to 500 Mbbl/d in 2020 due to the SPA program in Alberta. With this, we are expecting a WCS-WTI differential of US$13.00-US$15.00 in 2020. Given these circumstances, we estimate that WCS will average a price of US$25.00/bbl with price fluctuations between US$23.00/bbl-US$27.00/bbl.

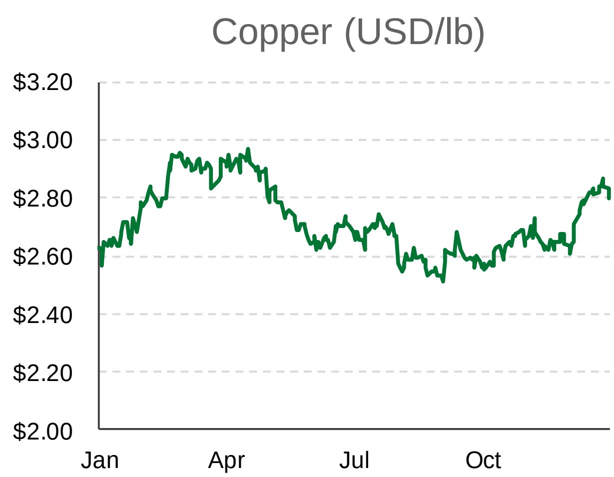
Precious and Base Metals Commentary

Gold



Gold prices surged in 2019, reaching its highest point in nearly seven years. This was attributed to the continued Fed rate cuts and an overall increase in volatility, geopolitical uncertainty, and central banks diversifying their reserves with the addition of gold. At the end of 2019, prices remained relatively flat as the U.S.-China trade war saw improvements. However, there is potential for more uncertainty if we were to see an extended trade war throughout 2020. We expect demand to be driven by the continuation of central banks diversifying reserves, as well as Asian central banks increasing their reserves. As 2020 is an election year for the U.S., there is an expectation of rates remaining flat. In Europe, we expect further rate cuts by central banks and low/negative yields to remain. These low yields generally contribute to higher gold prices. Diversification of reserves, low yields, and further trade uncertainty influences our opinion that gold prices are likely to remain relatively flat in 2020 with the potential for modest growth.

Base Metals



2019 was a tough year for base metals aside from nickel. Nickel saw a significant increase in price due to a ban on nickel ore exports by Indonesia, in an effort to keep further processing within the country. We expect the poor sentiment around base metals to continue in 2020 as demand concerns persist due to expected slowdowns in infrastructure investment and manufacturing in the global economy. Fiscal stimulus has the potential to spur further demand for base metals, especially in China as they look to recover from slowdowns caused by an extended trade war. We view this upcoming year as being a transitional period as corporations adjust to trade barriers and look for stable sources of supply. Looking beyond 2020, we have a strong outlook on copper as we believe supply continues to tighten as a result of declining grades in copper mines, a limited development of sizable mines, and low investment over the last few years due to low prices. Furthermore, increased global economic growth, electrification, China's "Belt and Road" initiative will drive long-term price growth in base metals.

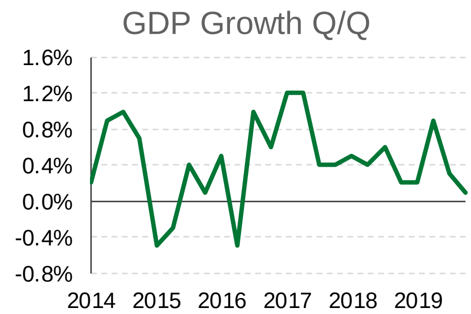
Canada

In 2019, the Bank of Canada kept the Policy Interest Rate unchanged at 1.75%, previously set in October 2018. CPI at the end of the year was at 2.2%, an increase from 1.4% at the beginning of the year. Increases were driven by the rise in energy prices, recovering from the oversupply of crude in late 2018. Inflation continued to grow at a slower rate from impacts in fresh vegetables, passenger vehicles, and mortgage interest rate increases.

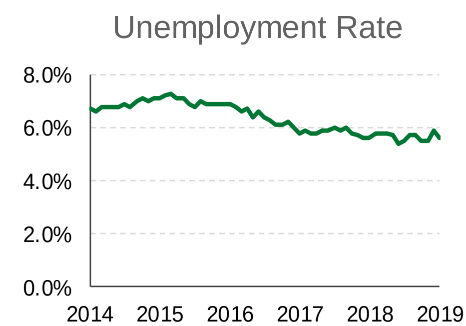
Growth of real GDP slowed to 0.1% in the last quarter of 2019, attributed to a decrease in business investment and weak international trade. The decline was countered by a 1.3% increase in household disposable income q/q. The slowing of fourth quarter growth can be attributed to several key factors, including, but not limited to pipeline shutdowns, unfavorable harvest conditions, rail transport strike, and continued uncertainty in global trade tensions. Overall growth in household spending, led by growth from spending in services, air transport, and telecommunication services surged real GDP. The growth in investments for housing fell significantly to 0.3% following a strong 3.1% growth in the prior quarter. Business investment in machinery and equipment declined 3.6%, falling for the third consecutive quarter with notable decreases occurring in aircraft and transport equipment, and trucks and busses.

The labour market remained resilient in 2019, resulting in a 4.4% rise in employee compensation, outpacing increases in household spending. Unemployment for December was 5.6%, a fall from 5.8% at the beginning of the year.

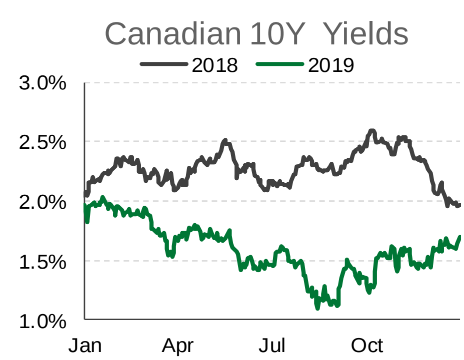
The Liberal Party led by Justin Trudeau secured a minority government in Canada's 43rd federal election. Key to their platform was a widening of the government deficit in order to stimulate larger government spending. We continue to monitor how the Canadian government's fiscal policies impact the Canadian equity markets and the PRIME portfolio.



Source: Bloomberg



Source: Statistics Canada



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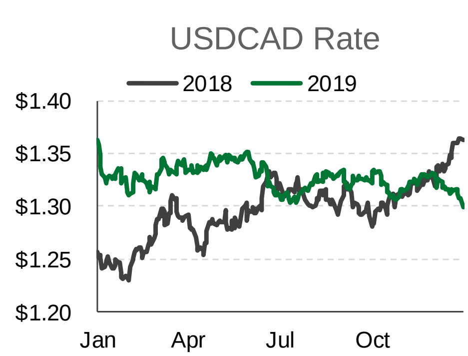


Source: Bloomberg

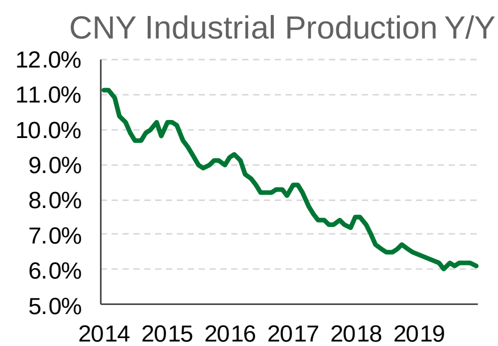
China

China's economy grew 6.0% in the fourth quarter of 2019 from a year earlier, growing at an annual rate of 6.1% - the slowest in 29 years. Overall, China faced sluggish demand at home and abroad as a result of U.S. trade pressures. December industrial output rose 6.9% Y/Y, exceeding the forecasted 5.9%.

China's policy in Hong Kong has further complicated matters, with social unrest impacting economic stability. During the third quarter, Hong Kong's GDP contracted 2.9% Y/Y. In October, auto sales declined for the 16th consecutive month as consumers held off on big purchases amidst economic uncertainty. The government of China is expected to continue implementing new policies in an attempt to stimulate the economy. In September, the People's Bank of China cut its reserve requirement ratio by 50 bps, with the possibility to reduce the ratio by 100 bps for certain qualified banks. This meant adding nearly 900B yuan into the economy as stimulus.

The U.S. and China agreed to a partial Phase One trade deal in October. The deal would allow China to restart purchases of U.S. agricultural goods, provide agreements on intellectual-property between the countries, alongside measures for their financial services and currency.

Source: Bloomberg



Source: National Bureau of Statistics of China

Europe

In the Euro scene, Brexit continued to be a topic of contention throughout the year, reaching a drafted deal on October 17th. The multiple votes and government change from Theresa May to Boris Johnson yielded large uncertainty in both the domestic and international markets. Eurozone annual economic growth was 1.0% during the last quarter of 2019, the weakest pace of expansion since the three preceding months to December 2013. This low posting can be attributed to a lesser increase in household consumption and government spending. Fixed investment in the area rose 6.3%, exceeding the prior quarter growth of 3.2%. Considering the 2019 year holistically, the Eurozone economy grew roughly 1.2%, the weakest growth witnessed in the zone since 2013.

The most concerning countries in Europe economically were Italy and France. Following a final quarter GDP growth of -0.2%, Italy posted its second consecutive declining GDP growth quarter placing it into a recessionary state. It is the third time within a decade in which Italy has fallen into this state. Similarly, Italy saw a shrinkage of 0.3% in GDP for the closing three months. Italy's statistic body factored the decline towards weak domestic demand, as well as industry and agriculture shrinking. GDP remained unchanged compared Y/Y, highlighting a weak Italian economy and indicating potential stagnation.

Source: Eurostat

Source: Markit

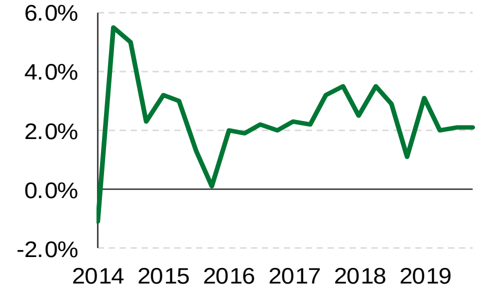
United States

Over the year, political pressures were key in developing increased market uncertainty. The U.S.-China trade tensions continued throughout the year, with Trump beginning with a negotiated draft trade agreement in May 2019 and rekindling talks with Xi Jinping in June. Beginning in August, Trump announced a 10% tariff on $300B worth of Chinese imports, leading China to halt U.S. agricultural imports shortly thereafter causing a plummet in equity markets. Both the U.S. and China continued in retaliation against these tariffs causing elevated market uncertainty. The Phase One deal was agreed upon in October, allowing for China to restore their purchases of U.S. agriculture, as well as talks related to intellectual property and currency. More domestically, economic uncertainty was caused by the declaration of a National Emergency, concerning the U.S. Southern Border which diverted billions of dollars to the U.S. Department of Defense for military construction. The emergency was declared following a bipartisan funding bill containing border security. These events added to the ongoing political feuds between the Democrats and Republicans.

In 2019, the U.S. economy experienced an annualized real growth of 2.3%. During the final quarter of 2019, real GDP increased 2.1%, matching the growth experienced during the third quarter. Positive contributions in the final quarter were a result of increases in personal consumption, acceleration in government spending, residential fixed investment and exports; with a negative offsetting from private inventory investment and non-residential fixed investments. Imports as a whole decreased during the quarter. In both September and December, the U.S. witnessed a 3.5% unemployment rate, the lowest since 1969.

The Federal Reserve cut interest rates three times during the year. On July 31 rates were cut to 2.25%, with the second cut of 25bps to 2.0% on September 18. The last cut came on October 30 with a cut to keep rates in the 1.5% to 1.75% range. The reserve's actions were explained as a move aimed to target weak business investment and exports, and as well continue to maintain a near 2% inflation while reassessing economic conditions.

GDP Growth Q/Q

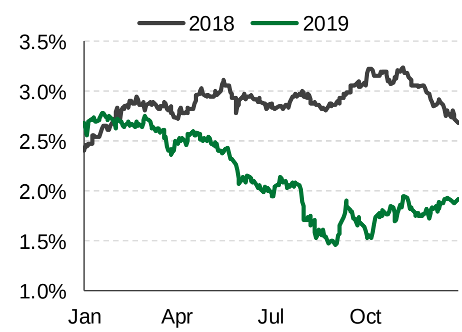


Source: Bloomberg

Unemployment Rate

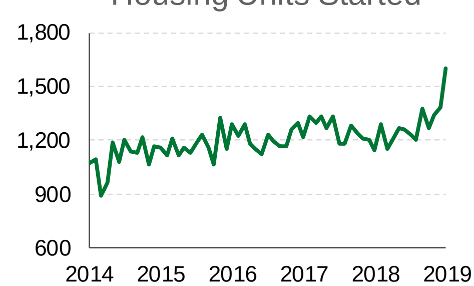
Source: U.S. Bureau of Labor Statistics

U.S. 10Y Yields



Source: Bloomberg

Housing Units Started

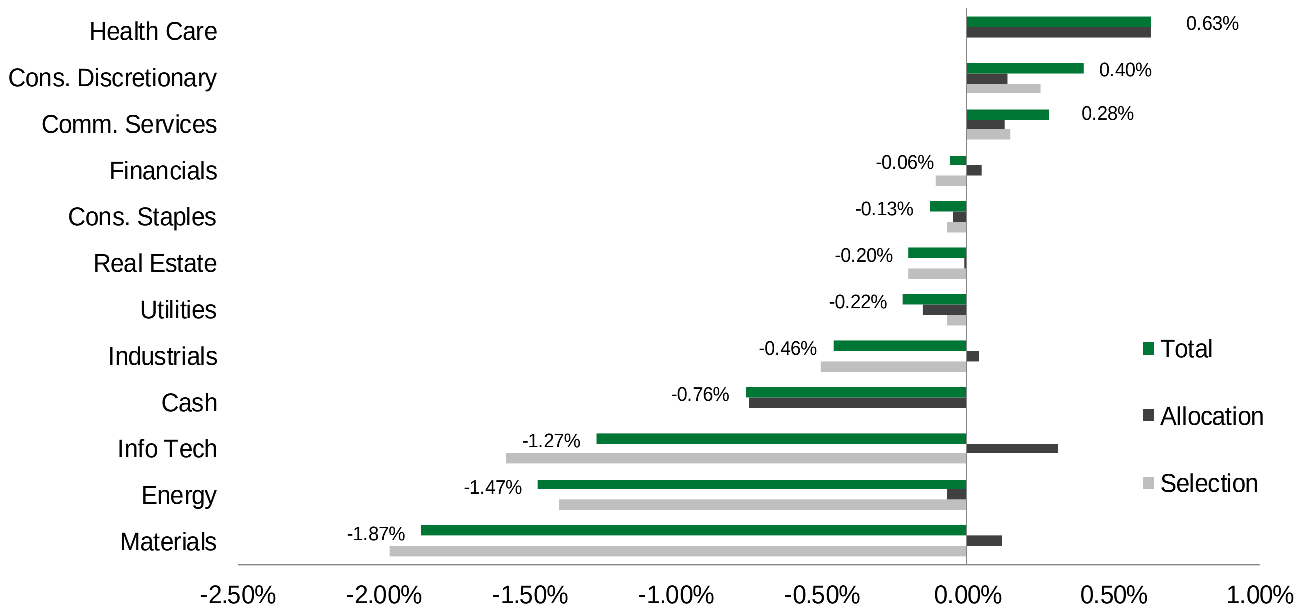


Source: Federal Reserve Bank of St. Louis

Performance Drivers

The PRIME fund returned 17.73% over the fiscal year, underperforming the S&P/TSX's return of 22.88%. The Health Care, Consumer Discretionary, and Communications Services sectors were the largest contributors to our performance.

Details of the fund's performance, make-up, performance attribution, and consistency with our GARP strategy are shown in the exhibits to follow. Unless otherwise noted, all figures are for the quarter ended December 31, 2019.



Allocation measures PRIME's ability to effectively allocate it's portfolio's total assets to various sectors
Selection measures each PRIME manager's ability to select securities within their sector
Figure 1 | Attribution of the PRIME Fund's performance relative to the S&P/TSX Composite Index and its sub-indices for the year ended December 31, 2019

Quarterly Performance

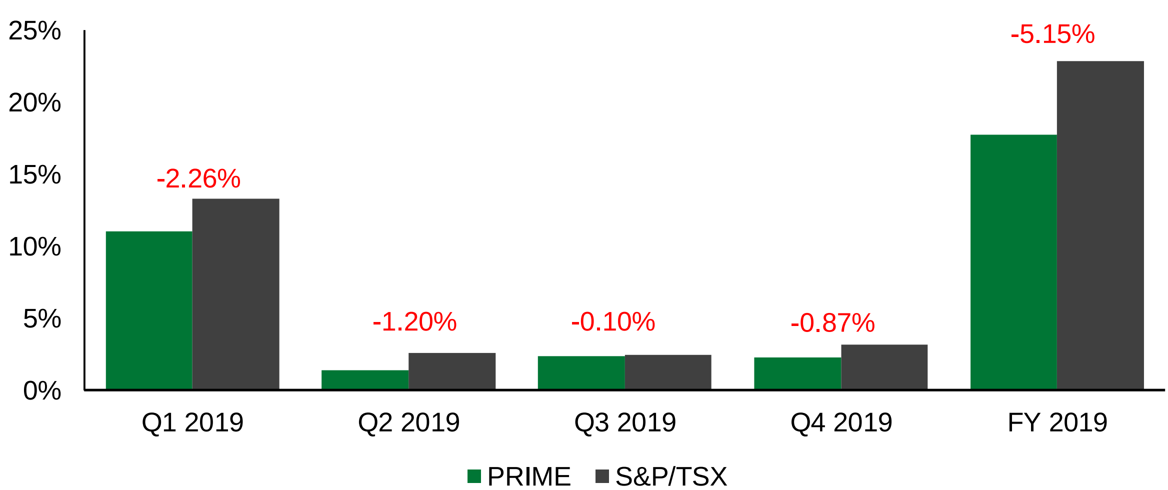


Figure 2 | Performance of the PRIME Fund versus the S&P/TSX Composite Index for the quarters in 2019

Fund Update

Performance Overview

PRIME's performance over the year is outlined below. Stock selections in the Consumer Discretionary and Communications Services sectors, and allocation in the Health Care and Information Technology sectors were the major positive attribution contributors.

	Sector Returns			Weightings		Attribution		
Sectors	**PRIME**	**S&P/TSX**	**+/-**	**% of PRIME**	**% of S&P/TSX**	**Total**	**Allocation**	**Selection**
Financials	20.95%	21.36%	-0.41%	35.41%	32.33%	-0.06%	0.05%	-0.11%
Energy	13.26%	21.80%	-8.54%	16.87%	17.23%	-1.47%	-0.07%	-1.40%
Industrials	21.17%	25.32%	-4.15%	11.80%	11.10%	-0.46%	0.04%	-0.50%
Materials	7.39%	23.85%	-16.46%	10.86%	10.99%	-1.87%	0.12%	-1.98%
Information Technology	30.43%	64.93%	-34.50%	5.93%	4.91%	-1.27%	0.31%	-1.58%
Consumer Staples	13.76%	14.36%	-0.60%	4.73%	3.96%	-0.13%	-0.05%	-0.07%
Communication Services	16.31%	12.97%	3.34%	4.58%	5.66%	0.28%	0.13%	0.15%
Utilities	34.17%	37.49%	-3.32%	3.56%	4.38%	-0.22%	-0.15%	-0.07%
Consumer Discretionary	20.90%	15.29%	5.61%	3.08%	4.22%	0.40%	0.14%	0.25%
Real Estate	12.64%	22.64%	-10.00%	1.93%	3.44%	-0.20%	-0.01%	-0.20%
Cash	7.26%	0.00%	7.26%	1.28%	0.00%	-0.76%	-0.75%	0.00%
Health Care	0.00%	-10.90%	10.90%	0.00%	1.78%	0.63%	0.63%	0.00%

Figure 3 | Sector attribution & relative sector weighting for the year ending December 31, 2019

Trades

During 2019, PRIME entered positions in Bank of Montreal, Brookfield Infrastructure Partners, Loblaw, Stelco Holdings, and WSP Global. The Fund liquidated positions in Algonquin Power, CIBC, Intertape Polymer Group, iShares XFN ETF, and NFI Group.

Sector Allocation

The fund held a 1.28% cash position at the end of 2019, and is underweight in the following sectors: Energy, Communication Services, Utilities, Real Estate, Consumer Discretionary, and Health Care. We are currently evaluating opportunities across sectors as we position ourselves for 2020.

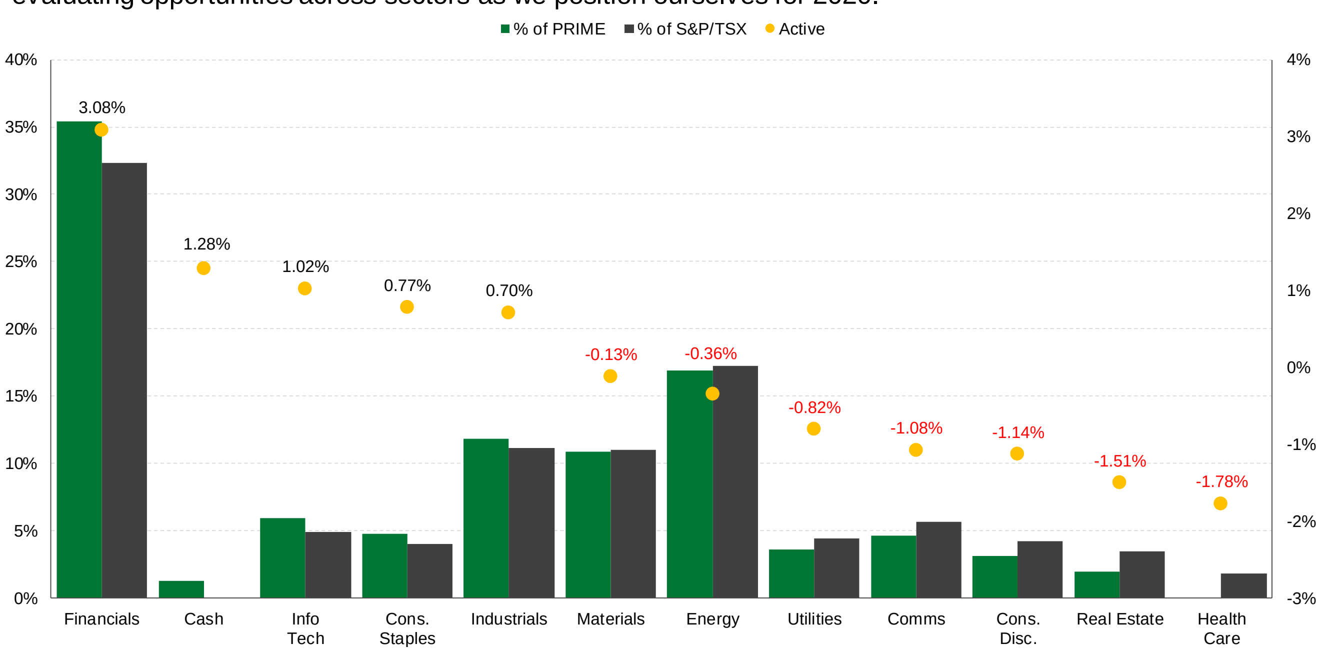


Figure 4 | PRIME Sector Weightings in order of active positions

Fund Update

Key Statistics

PRIME's 10 Largest Holdings

Top 10 Holdings	% of PRIME	% of TSX	Active Position
Toronto-Dominion Bank	9.42%	5.96%	3.46%
Bank of Nova Scotia	7.72%	3.88%	3.84%
Canadian National Railway Co.	5.83%	3.76%	2.07%
Cenovus Energy Inc.	5.78%	0.52%	5.26%
Manulife Financial Corp.	5.59%	2.01%	3.58%
Suncor Energy Inc.	4.96%	2.88%	2.08%
Telus Corp.	4.47%	1.27%	3.20%
Bank of Montreal	4.16%	2.76%	1.40%
Waste Connections Inc.	3.79%	1.37%	2.42%
Nutrien Ltd.	3.21%	1.75%	1.46%

Figure 5 | PRIME's Top 10 Relative Weights Versus the Benchmark

Top Attribution Contributors

Company	Attribution
Manulife Financial Corp.	1.05%
Cenovus Energy Corp.	1.05%
Intact Financial Corp.	0.66%
Wheaton Precious Metals	0.46%
WSP Global Inc.	0.43%

Bottom Attribution Contributors

Company	Attribution
West Fraser Timber Co.	-1.12%
Toronto-Dominion Bank	-0.94%
Seven Generations Energy	-0.93%
CGI Inc.	-0.86%
Nutrien Ltd.	-0.84%

Figure 6 | PRIME's Top and Bottom 5 Contributors to Attribution

Changes in Positions

	Comm. Services, Info. Tech. & Utilities	Consumers	Energy	Financials & Real Estate	Industrials	Materials
BUYS	Brookfield Infrastructure Partners	Loblaw Companies Limited	* cenovus ENERGY	BMO	wsp	STELCO The Steel Company of Canada
SELLS	Algonquin Power & Utilities Corp.	* Couche-Tard		CIBC iShares	NFI Group	ipg intertape polymer group

**Represents a change in position ot rebalance of sector holdings*

Figure 7 | PRIME's Holding Changes during 2019

PRIME Portfolio as at December 31, 2019

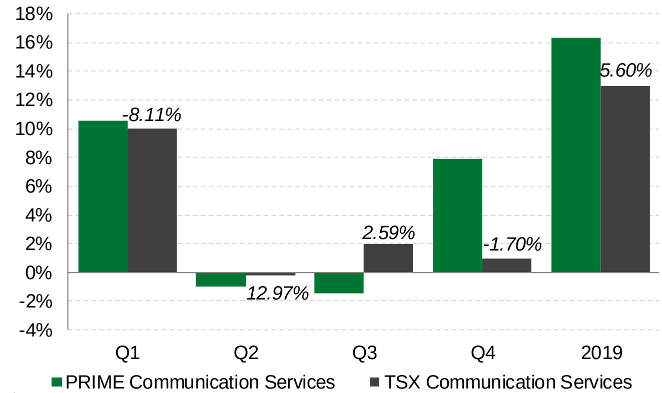
Company	Shares	Market Value	Market Price	Weight	Book Value	Realized Gains/Losses	Currency
Communication Services				**Underweight**			
Telus Corp.	1,607	$80,799.96	$50.28	4.58%	$67,950.23	$12,849.73	CAD
Consumer Discretionary				**Underweight**			
Dollarama Inc.	756	$33,740.28	$44.63	1.91%	$24,233.58	$9,506.70	CAD
Sleep Country Canada Holdings	1,020	$20,614.20	$20.21	1.17%	$36,538.95	-$15,924.75	CAD
Consumer Staples				**Overweight**			
Alimentation Couche-Tard	432	$17,802.72	$41.21	1.01%	$2,624.46	$15,178.26	CAD
Loblaw Companies Inc.	455	$30,485.00	$67.00	1.73%	$30,207.45	$277.55	CAD
Saputo Inc.	875	$35,175.00	$40.20	1.99%	$18,188.63	$16,986.37	CAD
Energy				**Underweight**			
Cenovus Energy Inc,	8,812	$116,318.40	$13.20	6.59%	$117,640.20	-$1,321.80	CAD
Enerplus Corp.	3,018	$27,916.50	$9.25	1.58%	$50,678.56	-$22,762.06	CAD
Keyera Corp.	690	$23,473.80	$34.02	1.33%	$20,824.68	$2,649.12	CAD
Secure Energy Services Inc.	3,650	$18,469.00	$5.06	1.05%	$25,931.43	-$7,462.43	CAD
Seven Generations Energy	2,797	$23,690.59	$8.47	1.34%	$56,232.57	-$32,541.98	CAD
Suncor Energy Inc.	2,067	$87,971.52	$42.56	4.98%	$65,147.50	$22,824.02	CAD
Financials				**Overweight**			
Bank of Montreal	1,000	$100,640.00	$100.64	5.70%	$102,219.90	-$1,579.90	CAD
Bank of Nova Scotia	1,850	$135,697.50	$73.35	7.69%	$97,222.31	$38,475.19	CAD
Intact Financial Corp	426	$59,818.92	$140.42	3.39%	$33,562.92	$26,256.00	CAD
Manulife Financial Corp	4,140	$109,130.40	$26.36	6.18%	$89,357.76	$19,772.64	CAD
Sun Life Financial Inc.	1,016	$60,157.36	$59.21	3.41%	$44,710.10	$15,447.26	CAD
Toronto-Dominion Bank	2,194	$159,789.02	$72.83	9.05%	$95,314.38	$64,474.64	CAD
Industrials				**Overweight**			
Canadian National Railway Co.	824	$96,795.28	$117.47	5.48%	$34,535.53	$62,259.75	CAD
Waste Connections Inc.	528	$62,277.60	$117.95	3.53%	$48,391.20	$13,886.40	CAD
WSP Global Inc.	553	$49,034.51	$88.67	2.79%	$39,764.79	$9,269.72	CAD
Information Technology				**Overweight**			
CGI Inc.	530	$57,595.10	$108.67	3.26%	$9,428.28	$48,166.82	CAD
Open Text Corp.	822	$47,034.84	$57.22	2.66%	$17,262.00	$29,772.84	CAD
Materials				**Underweight**			
Lundin Mining Corp.	4,866	$37,760.16	$7.76	2.14%	$34,376.83	$3,383.33	CAD
Nutrien Ltd.	825	$51,290.25	$62.17	2.90%	$53,576.00	-$2,285.75	CAD
Stelco Holdings Inc.	1,600	$17,456.00	$10.91	0.99%	$26,008.00	-$8,552.00	CAD
West Fraser Timber Co. Ltd.	707	$40,496.96	$57.28	2.29%	$29,711.03	$10,785.93	CAD
Wheaton Precious Metals Corp.	1,157	$44,706.48	$38.64	2.53%	$31,655.52	$13,050.96	CAD
Real Estate				**Underweight**			
Tricon Capital Group Inc.	3,200	$34,016.00	$10.63	1.93%	$28,896.00	$5,120.00	CAD
				1.93%			
Utilities				**Underweight**			
Brookfield Infrastructure Partners	970	$62,914.20	$64.86	3.56%	$53,377.65	$9,536.55	CAD
Cash				**Overweight**			
Canadian Dollar	20,364	$20,363.88	$1.00	1.15%	$20,363.88	$0.00	CAD
US Dollar	1,709	$2,217.00	$1.00	0.13%	$2,217.00	$0.00	USD
Total Portfolio Value		**$1,765,648.43**		**100.00%**	**$1,408,149.32**	**$357,499.11**	**CAD**

Figure 8 | PRIME Portfolio Overview

Sector Commentary

Communications Services Sector Performance

The Communication Services sector returned 16.31% in 2019, outperforming the benchmark by 3.35%. This sector is divided into two main subsectors, Telecom and Media. Performance in Telecom is dominated by the Big 3: TELUS, Rogers, and Bell, and their race toward 5G implementation. In addition, CRTC pressure with competition regulations and new unlimited data plans have negatively impacted ARPU and dampened growth in Wireless services. Margins in the Media subsector faced headwinds with digital streaming services amidst sharp cost-cutting in broadcasted television and television and theatre- focused models of entertainment.

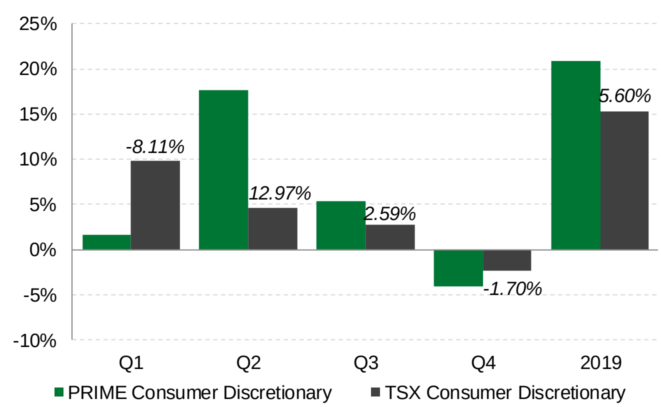


TELUS Corporation (TSX: T) returned 16.31% in 2019. TELUS' core Wireless business performed well over the year as a result of high Western Canadian ABPUs, a leading annual churn rate of 1.08%, and 5.5% annual growth in subscribers up to a total of 10.2MM. The Wireline segment reported a 16% total subscriber increase to 4.95MM, driven by its Internet, TV, and Security segments, partially offset by the expected decline in residential voice. The Security segment integrated ADT Security Services Canada and gained 536,000 new subscribers over the year, contributing to a 10.7% increase in Data Services revenue. TELUS International acquired Voxpro LTD and Competence Call Center AG, and expects an IPO valued at ~C$4-5B in 12-24 months. TELUS Health successfully launched its health app, Babylon, and its pharmacy optimizing Ubik platform with Walmart Canada in all of their pharmacies in Quebec. Looking forward, TELUS' diverse product base, commitment to its 7-10% annual dividend growth, and C$16B of committed capital to upgrading its fiber network in preparation for 5G will continue to drive value for stakeholders into FY20.

Consumer Discretionary & Staples Sector Performance

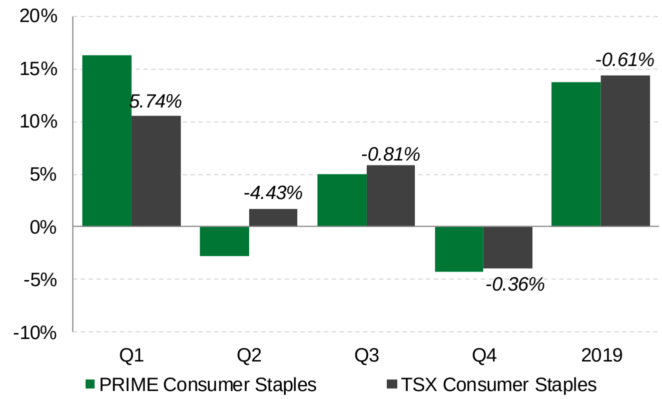
The Consumer Staples and Consumer Discretionary sectors returned 13.8% and 20.9% respectively, with relative performances of -0.6% and 5.6% compared to the benchmark.

As at year end 2019, PRIME maintains an overweight position of 0.8% in the Consumer Staples sector comprising 5.6% of the portfolio. We continue to hold an underweight position by 1.4% in the Discretionary sector which comprises 2.8% of the fund. We believe that our overweight position in Staples well suits the general sentiment in the Canadian economy.



Outperformance in the Consumer Discretionary sector was driven by a 38.0% return from Dollarama Inc. (TSX: DOL). The company's strong performance can be attributed to their continued growth of stores and strengthening of margins over the quarter as well as expansion to online wholesale markets during the year. In July 2019, Dollarama announced a stock purchase agreement to acquire a 50.1% stake in Latin American value retailer Dollarcity. Moving into 2020, management holds a cautious tone as they believe they will face more challenges associated with pricing, competition and shipping costs across their operations. Our conviction in Dollarama continues as we believe the company is well positioned in their markets with continued growth opportunities locally and abroad, as well as a strong offering given economic downturn.

Sector Commentary



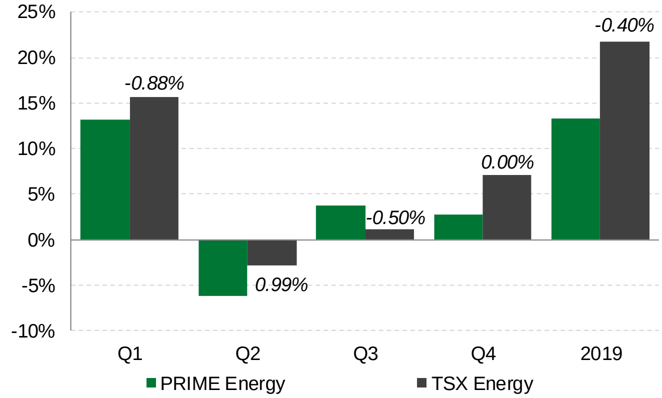
Over the year Sleep Country Canada Holdings (TSX: ZZZ) returned 5.1% to the portfolio. Sleep Country focussed on integrating Endy and expanding their market reach through new store and online expansion throughout the year. Following the release of third quarter results, share prices fell nearly 13% due to SG&A expenses exceeding targets by 36% due to a marketing campaign to further promote Endy, as well as develop a full online store for the Sleep Country's products as a whole. Entering 2020, we will be seeking the proper timing to exit our position in the holding as we no longer believe Sleep Country is able to outperform its competitors due to its late responses to consumer trends and no longer hold conviction in their ability to perform well in the future market.

Alimentation Couche-Tard (TSX: ATD/B) led the Staples sector, returning 22.1% to the portfolio. During the year, Couche-Tard completed 3 asset exchanges with their subsidiary CrossAmerica Partners LP primarily gaining retail locations in the Northern Midwest U.S. region. Couche-Tard monetized their interest in CrossAmerica Partners LP at the end of 2019. Couche-Tard also continued to expand and rebrand their locations under the Circle K name as well as grow in-store sales. In late 2019, Couche-Tard offered a takeover bid to Caltex Australia who rejected the bid and offered insider financials to support Couche-Tard in potentially offering a higher bid. We will continue to monitor this development as a Caltex takeover would provide significant exposure for Couche-Tard in the Australian consumer market and Asian-Pacific shipping channels.

Saputo Inc. (TSX: SAP) returned 4.3% to the portfolio. The company was very active in acquisitions over the year, acquiring the specialty cheese businesses of Lion Dairy & Drinks in Australia and Dairy Crest Group Plc in the U.K. Overall the company benefited due to the increase in dairy prices globally as well as strengthening operating margins and facility expansions. We maintain our conviction in Saputo Inc. as we believe they are able to continue to integrate acquisitions into their business in order to continue their strong global position in the market.

During the first quarter, PRIME entered a position in Loblaw Companies Ltd. (TSX: L) which returned 2.0%. Throughout the year, Loblaw continued developing their rewards programs and online marketplace. Loblaw's is quick to adapt to consumer trends in the market, adopting FlashFood and meal-kit programs in the latter half of the year. We believe Loblaw is a strong name compared to their competitors due to their broad range of store names appealing to various budgets and preferences, as well as their fast adoption to consumer trends.

Energy Sector Performance



The Energy sector in the PRIME portfolio returned 2.81% over the fourth quarter resulting in an underperformance of 4.27% below the 7.08% benchmark.

The PRIME Fund's Energy sector returned 13.26% over the year, underperforming the benchmark by 8.54% and detracting 147 bps from alpha. This underperformance by the Energy sector can be attributed to its limited exposure to large midstream companies in a year where they performed very well. Other factors include geopolitical tensions causing uncertainty in commodity prices and other challenges in Canadian energy such as pipeline spills, in-service delays to the Line 3 Replacement, railroad strikes, and production curtailments. The Line 3 Replacement faced timeline delays resulting in a revision of the in-service date from the end of 2019 to the second half of 2020. The Trans Mountain Expansion Project was granted approval in June 2019 after being halted in August 2018. The project now has an expected in-service date of December 2020. In response to overproduction concerns, OPEC is planning to undergo cuts of 1.7 MMbbl/d in 2020.

Cenovus Energy (TSX: CVE) was the energy portfolio's best performer over the year, returning 39.94% and contributing 105 bps to alpha. In 2019, the Company grew its upstream production to an average of 452 Mboe/d with its oil sands production contributing 374 Mbbl/d to that total. CVE was successful in reducing its total net debt to C$6.5B by generating strong CFFO throughout the year. The Company remains on track to achieve its goal of reducing net debt to C$5.0B in order to deleverage its balance sheet and improve its credit ratings. CVE exceeded its 2019 planned crude-by-rail (CBR) target of 100 Mbbl/d with rail exports averaging 106 Mbbl/d in December 2019. Production levels are estimated to be higher in 2020 due to the announcement of Alberta's Special Production Allowances (SPA), which provides curtailment relief equivalent to increases in rail shipments. Cash from operating activities totaled $3.3B as a result of CVE doubling its operating margins in 2019. CVE's 2020 $1.5B FCF guidance equates to a FCF yield 2% above its peers through the Company's low-cost operations. Total operating expenses were flat compared to 2018 due to higher fuel costs and increased maintenance costs, offset by lower chemical and workforce costs. CVE capital budget is ~C$1.4B for 2020 with 70% being allocated to maintaining reliable operations and sustaining oil sands production. Planned upgrades and maintenance to Foster Creek and Christina Lake are estimated to increase upstream production by 50 Mbbl/d in 2020.

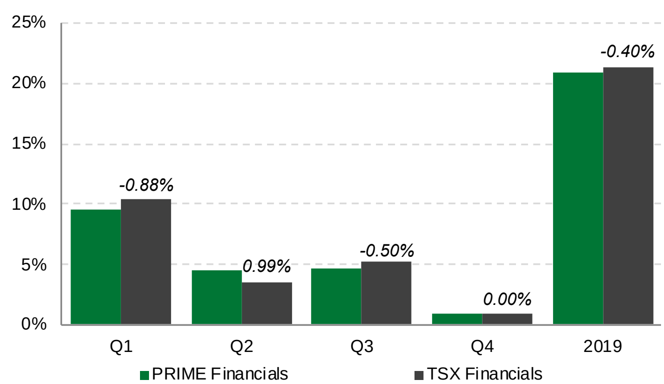
Keyera Corp (TSX: KEY) returned 39.54% in 2019, adding 20 bps to alpha, making it the second-best performer in the energy sector. KEY's year-end operating results were in-line with 2019 estimates, mainly due to lower-than-expected G&A costs, and its gathering and processing segments achieving record operating margins. The Company is currently undergoing capital expenditures just slightly below C$900MM in 2019, with another C$700-800MM planned for 2020. The Company is focusing on implementing its capex without issuing common equity and maintaining a net debt/EBITDA target between 2.5-3.0x. As part of this capital plan, KEY has numerous condensate connections inbound, including rail and pipelines coming directly from the U.S. Midwest. This should provide the company with a greater competitive advantage in liquids infrastructure while also increasing its capacity and efficiency. On the downside, KEY reported an expected C$10MM operating margin reduction in 2020 mainly due to a major customer diverging away from its Brazeau River plant. KEY continues to combat the challenging oil and gas environment in Alberta with steady capital investments, a healthy balance sheet, and strong operating cash flows.

Sector Commentary

Secure Energy Services Inc. (TSX: SES) was the worst performer in the energy sector returning -24.60% and detracting 75 bps from alpha. SES reported a disappointing year which is mostly attributable to unexpected costs and reductions in servicing activity amongst exploration and production companies. During 2019, oil and gas producers delayed costly projects as unfavourable weather conditions and depressed commodity prices forced lower margins. This reduction in activity hurt oil service companies, like SES, that are dependent on a steady flow of projects. The company's FCF generation was nearly $110MM in 2019, finishing slightly higher than in 2018. After sustaining capital expenditures and dividends, SES plans to use FCF to reduce debt, develop midstream infrastructure, and continue to strategically buyback shares. SES's business model positioned them well for range-bound commodity prices given its exposure to recurring revenues, but this was offset due to the large drop in WCS following the Keystone Mainline spill and continued pipeline constraints. A major development in 2019 was SES's effort to grow its midstream operations with the continued construction of its Pipestone Water Disposal facility in the Montney region. We expect SES to continue to strategically invest in water infrastructure, feeder pipelines, storage, and rail access projects.

Seven Generations Energy (TSX: VII) was the energy sector's second-worst performer for 2019, falling 23.97% and detracting 93 bps from alpha. VII struggled in 2019 due to a better supplied condensate market from increasing light and ultra-light production from the Montney and U.S. in addition to the Company's high corporate decline rates causing higher sustaining capital requirements. 2019 production volumes of 203 Mboe/d were in-line with consensus estimates and included 75 Mbbl/d of condensate. Full year operating expenses were $4.79 per boe, below the 2019 guidance range of $5.00-$5.25 per boe. In terms of operational performance, VII continued to develop its Nest 3 region while also considering investments in the lower Montney.

Financials Sector Performance



The Financials sector currently composes 35.97% of the PRIME portfolio, 3.14% overweight relative to the S&P/TSX Composite Financials weighting of 32.82% as of December 31st, 2019. Over the year, our holdings underperformed the benchmark by 0.4%, with a yield of 20.95% relative to 21.36% yield posted by the benchmark.

Positive performance for the year was largely driven by our insurance holdings, all of which significantly outperformed the Index. Intact Financial Corporation (TSX:IFC) was the sector's top performer in 2019, contributing a total return of 45.10%. Throughout the year, Intact continued to increase its dominance and market share within the Canadian P&C space. Several acquisitions were made in Q4; On Side Restorations, The Guarantee Company of North America, and Frank Cowan Company Limited that should enable Intact to continue this growth through increased efficiencies going into 2020.

Our other two insurance holdings, Manulife Financial Corporation (TSX:MFC) and Sun Life Financial Incorporated (TSX:SLF), contributed annual returns of 42.10% and 35.90%, respectively. Both companies saw growth stemming primarily from their expansion efforts in Asia. MFC has focused these efforts on entering new markets within Asia. In August, through the acquisition of Mahindra Asset Management, MFC began operations within India. They are also currently looking to acquire a portion of UK based Aviva Insurance, which would give the company an initial foothold in both Singapore and Vietnam. In addition to expanding operations within Asia, SLF has been implementing new technologies across all business segments to digitize its operations and improve efficiencies.

Sector Commentary

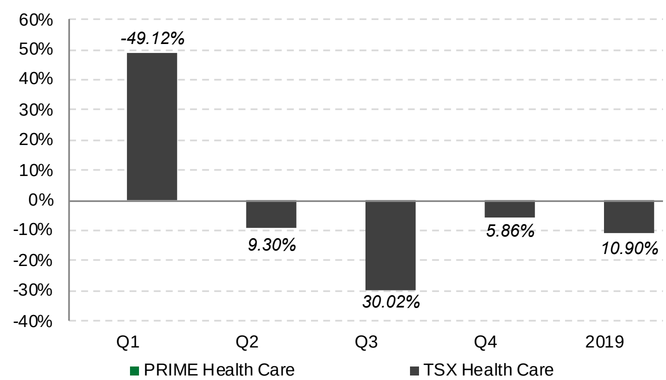
The Bank of Nova Scotia (TSX:BNS) and Toronto-Dominion Bank (TSX:TD) contributed total returns of 11.78% and 11.64%, respectively, in 2019. BNS shifted its strategy over the year from a rapid market entrance to concentrated expansion within larger markets, selling out of six Caribbean nations to focus on their presence within the Pacific Alliance Countries. As a result, BNS saw growth in its International Banking segment of over 13% y/y. TD's performance over the year was primarily driven by growth in its Retail Banking segments, in both the U.S. and Canada, as they increase their technological capabilities and efficiency. In Q4, TD's online trading platform, TD Ameritrade, was purchased by Charles Schwab in a $26B all-equity deal, in which TD will hold 13% of the combined company. This comes after many trading platforms cut commissions on trading in Q3. The deal will affect TD's U.S. Retail Banking division, which we will monitor throughout 2020.

The sector's worst performer in 2019 was the Bank of Montreal (TSX:BMO), contributing a total return of 1.73% since we opened our position in Q2. BMO has been pushing to expand operations in the U.S. Midwest and further decrease exposure to the Canadian economy. Fluctuating earnings in the Wealth Management and Capital Markets divisions primarily hindered BMO's performance over the year.

Health Care Sector Performance

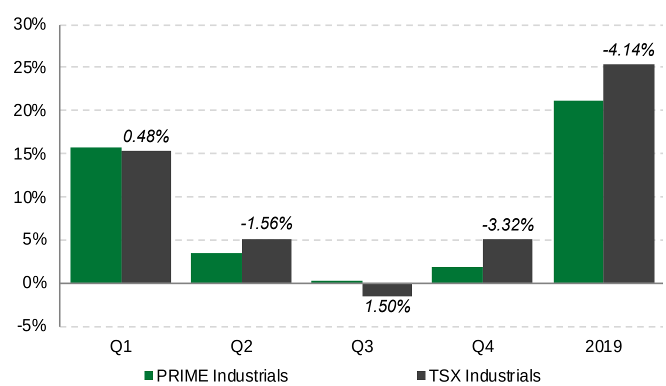
PRIME does not have a position in the Health Care sector, whose benchmark returned -10.90% for the year. We continue to evaluate opportunities in the sector which adhere to the GARP mandate.

The main factor that influenced the TSX Health Care sector was the deterioration of value in Cannabis holdings.



Industrials Sector Performance

During 2019, the Industrials Sector returned 21.17%, underperforming the benchmark by 4.14%. NFI Group, (TSX: NFI) was sold during the second quarter, and the fund entered a position in WSP Global (TSX: WSP), a professional services company.



NFI Group, (TSX: NFI) was removed from the portfolio during the second quarter of 2019. NFI had a disappointing 2018, where the company repeatedly underperformed expectations and faced headwinds in the bus industry, as well as operationally. The lackluster trend continued into 2019, with a disappointing first quarter, where the company faced higher costs, in addition to the loss of its distribution agreement with Daimler for their Setra line of busses. Due to these ongoing concerns, we exited our position in NFI as we felt that the company no longer fit within the portfolio.

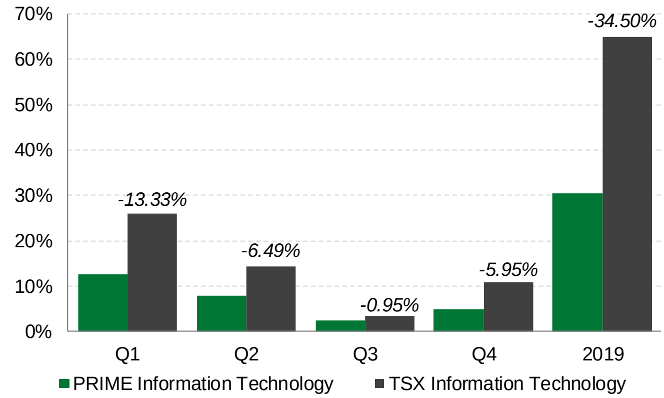
Sector Commentary

WSP Global, (TSX: WSP) was purchased with the funds received from the sale of NFI. Over the year, WSP returned 24.11%, contributing 43 bps to overall alpha. WSP has continued to execute on its Global Strategic Plan, with eight acquisitions expanding their market presence primarily in the U.S. and Nordic business regions, as well as in the Strategic Advisory and Environmental Consulting service areas. Notably, WSP acquired Leach Wallace in the second quarter, expanding WSP's presence in the health care sector, and Ecology & Environment expanding WSP's environmental consulting business. During the fourth quarter, WSP acquired the Dutch engineering consulting firm Lievense. Lievense offers a wide array of services across infrastructure, energy, water, and environment streams, and fits within WSP's strategic plan. WSP is looking to increase its strategic advisory offerings to clients, acquiring Elton Consulting in November, an Australian firm with experience in strategic advisory. WSP Global continues to execute on its acquisitions, strategically acquiring companies to increase its presence in new markets and service streams. We believe that WSP will remain successful in their strategy if they maintain a disciplined approach.

Canadian National Railway (TSX: CNR) returned 18.28% and detracting 37 bps over 2019, and was in-line with analyst expectations. CNR has invested heavily over 2019, spending $3.9B on infrastructure upgrades and network maintenance. Canadian National also successfully integrated the acquisition of TransX in March of 2019, as well as H&R in early December, reinforcing a stated focus on its intermodal segment. CBR volumes were up 20% for CNR during 2019, and moving forward into 2020 that trend is expected to continue. For grain, CN moved 8% more volume during 2018-2019 than the previous season. In December, CNR additionally reached an agreement with Teck to ship its metallurgic coal, which is expected to commence in 2021. Canadian National faced some operational headwinds during the fourth quarter, with a conductors strike lasting 8 days which was coupled with the GM strike. The strikes negatively impacted volumes over the fourth quarter, as well as lowering operating efficiency. CN's operating ratio was 62.5% for 2019, just under a percent increase from the previous year. We believe CNR continues to represent a strong core holding in the PRIME Fund as they continue to better their network and cost structure.

Waste Connections, (TSX: WCN) returned 17.28% over 2019, detracting 32 bps from alpha. WCN surpassed analyst estimates across the board and continued its trend from the previous year of continued shedding of lower-margin contracts as well as strong pricing growth. Waste Connections has also continued its ability to complete accretive tuck-in acquisitions in its target markets, which were responsible for its volume growth. WCN spent US$835MM on acquisitions during 2019, and with its current low leverage and large cash balance is well-positioned to continue to execute. WCN was able to continue its trend of strong pricing growth, achieving 5.4% during the fourth quarter. Revenue exceeded analyst expectations, mainly buoyed by the aforementioned pricing increases. Another positive during the quarter included further volume increases in its E&P waste segment in spite of lowered rig counts. WCN's recycling segment revenue was down 46% Y/Y, again mainly in response to decreased commodity pricing with OCCs. However, this trend of lowered commodity pricing may begin to reverse with increased international demand. We believe that WCN continues to represent a strong holding due to its strong acquisition performance and continued opportunities for growth.

Information Technology Sector Performance

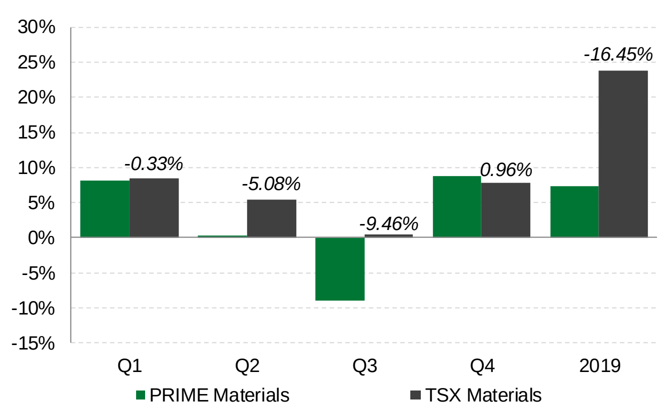


The Information Technology sector returned 30.43% over 2019, underperforming the S&P/TSX Composite Index by 34.50%. As businesses continue to adopt IoT, 5G, and AI/ML systems in their operations, the SaaS segment has become a dominant focus alongside the applications of FinTech. Further, following several high-profile data breaches over 2019, cybersecurity was a core focus within software; however, cloud integration and IT modernization remain priorities for businesses.

CGI Inc. (TSX: GIB.A) returned 30.14% in 2019. Over the year, CGI experienced strong organic growth through securing new long-term government and enterprise contracts. The integration of Acando AB and SciSys Group PLC alongside new contracts with the Stockholm Transportation department, is geared to increase European exposure. Revenue growth of 5.3% for FY19 with strong bookings and backlog of C$12.6B and C$22.6B respectively, was driven by U.S., Canadian, and European business. Moving forward, the company is increasing exposure to FinTech, through acquiring asset management software company Annams Systems Corp: Sunflower Systems, securing new contracts with Ginnie Mae, HSBC, and developing e-PS systems for the U.S. Marine Corps and Navy. We believe CGI is well positioned geographically and among sector trends, but we will continue to monitor its leverage and organic growth in the future.

OpenText Corporation (TSX: OTEX) returned 30.77% in 2019. OTEX did not pursue a take-over of its competitor, Micro Focus International, instead acquiring Catalyst Repository Systems Inc. and Carbonite Inc. for a total of US$1,424MM. These tuck-in acquisitions allow access to new SBM and prosumer markets along with the development of an end-to-end EIM platform that better aligns with management's G10K target. This vertically integrated platform is expected to be delivered in 2021, and we expect greater balance sheet prudence amidst higher integration costs. OpenText secured several new partnerships over the year, most notably with Google, AWS, Mastercard, Rosneft Deutschland GmbH, and Tim S/A. Moving forward, OTEX must prioritize deleveraging, though increased cash flow stability from higher ARR's and integration of its EIM and cloud software among global names still gives us conviction in this name.

Materials Sector Performance



Nutrien (TSX: NTR) returned 0.38% during the year. The agriculture segment in 2019 was subject to one of the worst farming seasons in U.S. history, which weighed heavily on the demand for Nutrien's product offerings. Despite the harsh farming conditions, Nutrien showed resilience in their ability to stabilize margins and increase operational efficiency through previous M&A synergies. The company also announced plans to expand potash production during the year, leaving them well positioned for a turnaround in 2020. West Fraser Timber (TSX: WFT) returned -13.90% throughout the year. The lumber market in 2019 was battered by poor macroeconomic conditions including high log costs, tariffs, and slowed demand for logging products. This volatility lead to both temporary and permanent curtailments for WFT. An optimistic building season expected in North America and recent developments of the U.S. removing lumber tariffs will encourage a strong year in 2020.

Sector Commentary

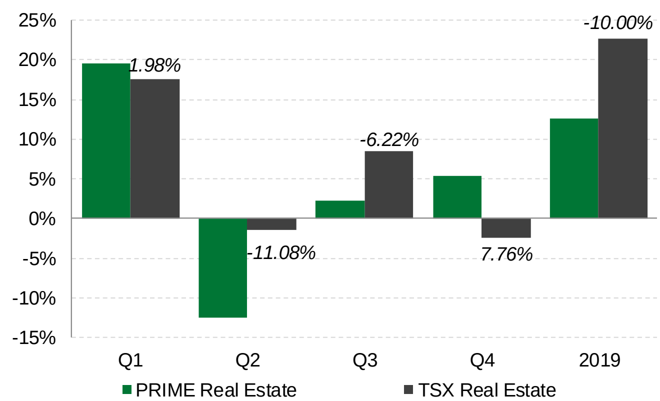
Lundin Mining (TSX: LUN) returned 40.12% throughout 2019. Base metal prices were volatile during the year leading to lower realized margins for the company. However, Lundin's strong execution on copper and zinc projects positioned the company well for a favourable future, allowing for strong returns.

Wheaton Precious Metals (TSX: WPM) returned 47.15% during the year. Early in 2019, Wheaton saw immediate gains after coming off of a record year for gold sales and a favourable tax settlement against the CRA. As the year progressed, Wheaton capitalized on rising gold prices resulting in strong earnings for the company.

Stelco Holdings Inc. (TSX: STLC) returned -29.91% throughout the year. Steel prices were down in 2019, largely affected by decreased international demand, trade sanctions, and iron ore prices. This was partially offset by increased shipping volume for the latter half of the year.

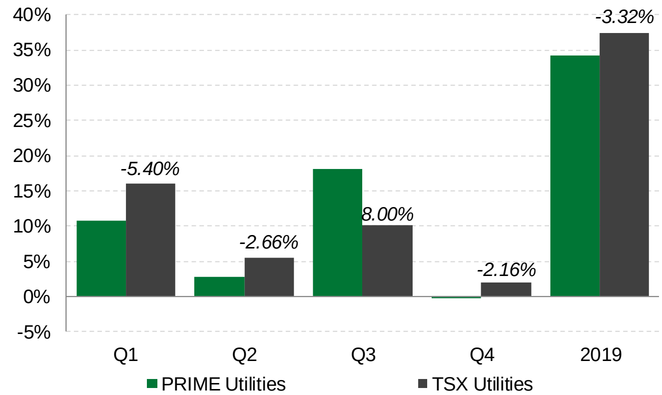
In 2019 we decided to exit our position in Intertape Polymer Group (TSX: ITP). The decision came from the company's perceived lack of strategic direction combined with their unstable earnings profile, which weighed on the future growth prospects of the company, no longer giving us the conviction to hold. Moving into 2020, we foresee ourselves seeking out new copper opportunities to align with our bullish outlook for the year, as well as continuing to seek diversification in the packaging and containers segments to realize potential upside.

Real Estate Sector Performance



The Real Estate sector composes 1.99% of the PRIME portfolio, 1.57% underweight relative to the S&P/TSX Composite Real Estate weighting of 3.56%. Over the year, Tricon Capital Group (TSX:TCN), PRIME's only current holding in the sector, underperformed the benchmark by 10%, with a yield of 12.64% relative to the 22.64% yield posted by the benchmark. Throughout 2019, Tricon focused on the expansion of its Tricon Lifestyle Rental segment in the U.S. Sunbelt through a series of acquisitions, including Starlight U.S. Multi-Family homes. Despite these efforts, we have seen a very marginal impact on Tricon's earnings and returns, as they continue to hover within a very narrow price range. We no longer hold conviction in Tricon's ability to generate continued growth and will be selling our position in early 2020 in favour of other opportunities in the sector.

Utilities Sector Performance



The Utilities sector returned 34.17% in 2019, underperforming the S&P/TSX Composite Index by 3.32%. Increasing vocal climate protests, low input costs, and AESO's continuation as an energy power market has pushed generators to further coal to gas transition and maintain a bullish sentiment toward renewable energy. We aim to capitalize on the positive outlook and the regulated cash flows offered by electricity and gas transmission and distribution companies this year.

We divested from Algonquin Power and Utilities Corp. (TSX: AQN) in April 2019. After meeting our intrinsic value, the company displayed an aggressive capital plan with concerning growth plans through its ratios of capital deployed and connections created. With the majority of Commercial Operation Dates set for 2022 or later and declines in existing AAGES projects, our concern for medium-term NPV offset their inferred growth potential. As such, we chose to close our position and replace it with Brookfield Infrastructure Partners L.P. (TSX: BIP.UN).

Brookfield Infrastructure Partners L.P. (TSX: BIP.UN) was added to the portfolio in April 2019 and returned 21.01% over the year. BIP's performance continues to be influenced by key acquisitions and dispositions. In its Transport segment, replacing their Chilean Toll Roads and European Ports with Genesee & Wyoming's rail business in the United States for C$1,900MM allowed BIP to capitalize on the GDP-linked demand growth and diversify its rail assets. In Utilities, Net Income increased 39.5% over 2018, complemented by the replacement of their Chilean transmission business with the wholly owned Brazilian transmission network, RORB increasing by 100bps, and connection growth in Canada and the UK. Data Infrastructure asset acquisitions through Vodaphone NZ, WIG, Cincinnati Bell, Reliance Jio, and AT&T, increased FFO 77% to $136MM in addition to extending their tower and fiber network to be better positioned for the incoming global 5G buildout. Lastly, FFO from the Energy segment increased 53% Y/Y from growth in transport volumes over the North American Natural Gas Transmission and Western Canadian midstream businesses. These strategic investments realized 41.8% and 12.4% increases in revenue and FFO over 2018, respectively. Looking forward, the robust capital backlog and diversified asset base lends conviction to BIP's growth potential and strength as a holding.

Historical Performance

PRIME seeks to achieve long-term capital appreciation by investing in Canadian equities. The fund is benchmarked against the S&P/TSX Composite Index. Since March 2000, the fund has outperformed in 11 of the last 19 years, yielding a CAGR of 8.46%. In comparison to the benchmark, the PRIME fund has outperformed the Index by 2.73% annually since inception. The following figure summarizes the fund's historical performance, while also highlighting our performance within the last 10 years.

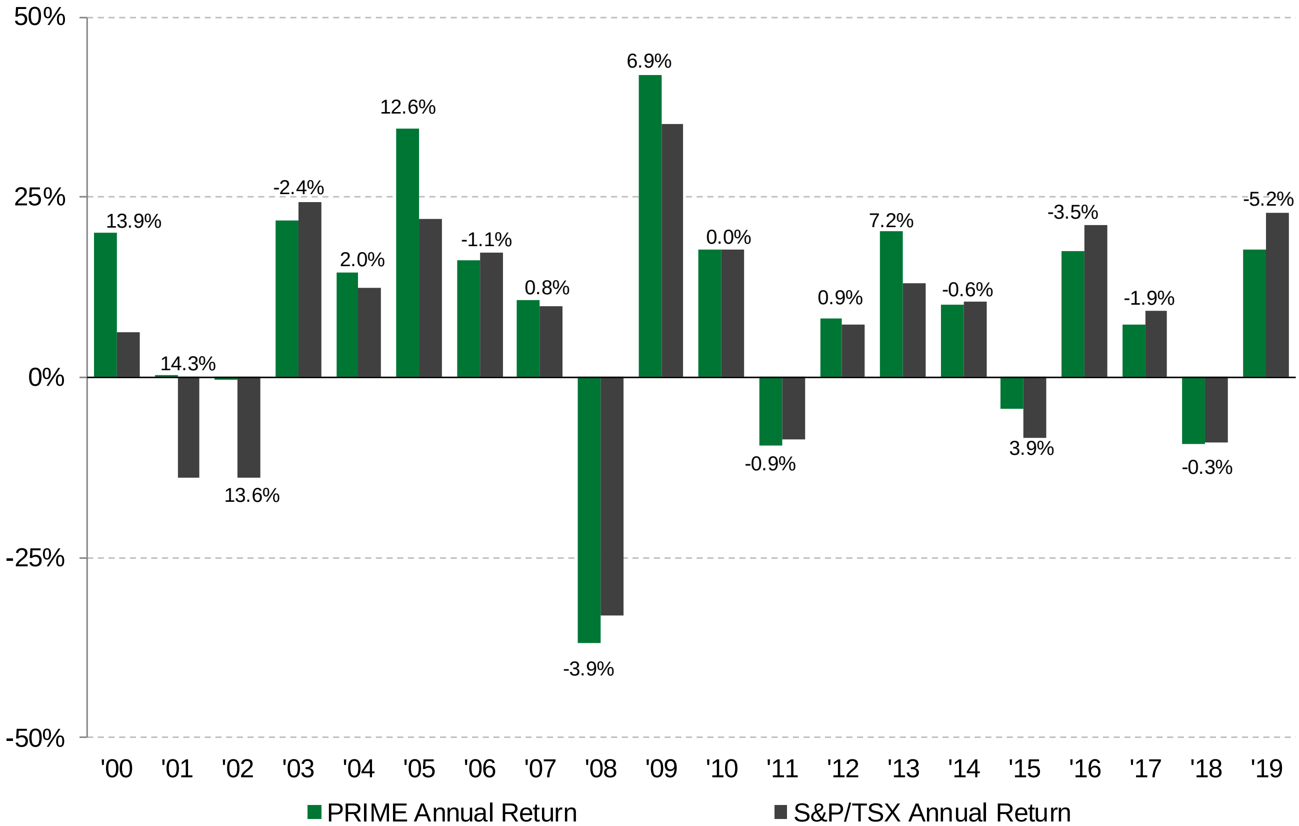


Figure 9 | PRIME fund performance since inception

	F2008	F2009	F2010	F2011	F2012	F2013	F2014	F2015	F2016	F2017	F2018	F2019	CAGR	Std. Dev.	Average
PRIME	-36.89%	41.99%	17.61%	-9.51%	8.10%	20.16%	9.98%	-4.42%	17.59%	7.26%	-9.27%	17.73%	8.46%	17.13%	9.90%
S&P/TSX	-33.00%	35.05%	17.61%	-8.59%	7.20%	12.99%	10.56%	-8.33%	21.09%	9.19%	-9.00%	22.88%	5.73%	16.67%	7.08%
Relative	-3.89%	6.94%	0.00%	-0.92%	0.90%	7.17%	-0.58%	3.91%	-3.50%	-1.93%	-0.27%	-5.15%	2.73%	0.45%	2.81%

Figure 10 | PRIME fund performance over the last 10 years

Fund Strategy and Valuation

As the fund's composition has diverged from the benchmark, we have placed focus on a broad rebalancing of the portfolio's holdings. This is necessary to more accurately reflect our conviction. A significant issue is the valuation of the fund relative to the benchmark. Steps have since been taken to relieve this position, and the fund will put more emphasis on looking for companies with favourable valuations going forward rather than focusing on companies with superior growth potential. The maximum sector allocation constraint of 25% has recently been lifted, allowing the fund to increase allocation to the Financials sector, which has significantly altered the composition of the portfolio. In the coming months, we look to examine all the sectors in the portfolio and their relative weighting to determine which require the most adjustments going forward. We also seek to replace any ETFs that the fund currently holds with favourably valued investments that adhere to the GARP mandate.

Fund Analysts

Communication Services, Info Tech and Utilities

David Rybak

David is in his fourth year of a Bachelor of Commerce degree with a major in Finance and a minor in Accounting. He is the Analyst for the Communications Services, Information Technology, and Utilities sectors this year and he greatly looks forward to expanding his knowledge of each industry while working with all of the fund Managers and Analysts. David will be working for Hugessen Consulting in Calgary this summer and plans to obtain his CFA designation in the coming years. Outside of PRIME, he is the VP of Finance for the Business Students Association and a Program Director for Taking Strides Edmonton. In his free time, David enjoys rock-climbing, hiking, playing soccer, and basketball.

Consumers and Health Care

Calvin Robert

Calvin is a third year Bachelor of Commerce student pursuing a major in Finance and a minor in Operations Management. He is the analyst for the Consumers and Health Care sector, and is excited to work with and learn from his manager, as well as the other PRIME analysts, managers, and mentors. This summer he will be working in the Public Equities U.S. Small Cap group at British Columbia Investment Management Corporation (BCI). In December Calvin will write the CFA Level I exam, and plans on obtaining the full designation following graduation. In his free time Calvin enjoys playing drums, golfing and camping.

Energy

Mikel Buchinski

Mikel is a 4th year Bachelor of Commerce student with a major in Finance and a minor in Accounting. He is one of the two analysts in the Energy sector, and is looking forward to working with his peers and managers to continue growing the PRIME fund over the next year. Last summer, Mikel worked with the Fixed Income team at Alberta Investment Management Corporation (AIMCo). This summer, Mikel will be joining the Supply and Trading team at BP Energy in Calgary. Outside of the classroom, Mikel enjoys weightlifting, hiking, football, and playing guitar.

Blake Moran

Blake is in the fourth year of his Bachelor of Commerce degree majoring in Finance with a minor in Entrepreneurship. He is an analyst for the Energy sector and is looking forward to learn more about the portfolio management skills used in PRIME and to learn from the economic difficulties currently surrounding the sector. Blake has started an Edmonton landscaping business and hopes to obtain his CSC or CFA designation after his degree while pursuing a career in Capital Markets. In his spare time, Blake enjoys traveling, watching basketball, and spending time with friends.

Fund Analysts

Financials and Real Estate

Cody Schlosser

Cody is a third year Bachelor of Commerce student with a major in Finance and a minor in Accounting. He is one of two analysts for the Financials and Real Estate Sectors. He is looking forward to working with the other analysts and managers in the PRIME program to develop research and portfolio management skills. Cody hopes to obtain his CFA designation in the coming years and plans to pursue a career in Capital Markets. In addition to PRIME, Cody is a volunteer with SafeWalk and enjoys spending time with friends, travelling and watching sports.

Emma Siegle

Emma is a third-year Bachelor of Commerce student with a major in Finance. She is one of two analysts for the Financials and Real Estate sectors this year. Emma is looking forward to working with the other analysts and managers in the program to expand her knowledge and gain portfolio management experience. Following graduation, Emma plans to obtain her CFA designation and pursue a career in Capital Markets. Next summer, Emma will be working as an Investment Banking Summer Analyst for Scotiabank Global Banking & Markets. In her free time, Emma enjoys skiing, travelling, and spending time with friends.

Industrials

Josh Robertson

Josh is in the third year of his Bachelor of Commerce degree with a major in Finance and a minor in Accounting. He is the analyst for the Industrials sector and has been enjoying working with the managers and other analysts. Josh is also eager to continue to learn more about his sector from mentors and peers. In addition to his degree, he hopes to obtain his CFA designation as well as pursue a career in Capital Markets. In his spare time, Josh enjoys playing competitive volleyball, golf, watching basketball and travelling.

Materials

Jake Donald

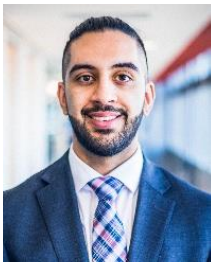
Jake is a third year Bachelor of Commerce student with a major in Finance. He is one of two analysts for the Materials sector and is looking forward to learning more about the industry with the help of managers, mentors, and peers. After graduating, Jake hopes to obtain his CFA designation and pursue a career in Capital Markets. This summer, Jake will be working as an Investment Banking Summer Analyst at Morgan Stanley. Outside of academics, he enjoys playing volleyball, golf, hiking and watching hockey.

Noah Sokalski

Noah is a fourth year Bachelor of Commerce student with a major in Finance and a minor in Economics. He is one of two analysts for the Materials sector this year. Noah is looking forward to taking on the challenges the PRIME program offers, as well as the opportunity to learn more about financial markets from his peers, managers and mentors. This past summer, Noah had the opportunity to study at the London School of Economics in their department of finance. In addition to PRIME, he is a regular volunteer at the Ronald McDonald House Charities of Edmonton. Upon graduation Noah plans on obtaining his CFA designation and pursue a career in Capital Markets. In his spare time, Noah enjoys participating in campus intramurals, hockey, golf, reading, robotics, and volunteering.

Fund Managers

Communication Services, Info Tech and Utilities



Harman Dhatt

Harman is one of two managers for the Communications Services, Information Technology, and Utilities sector this year, and is looking forward to finding ways to improve the sector with his fellow manager and analyst over the coming year. Harman is currently a member of the Global Investment Research Challenge Team, where he will be competing in New York City for the Americas Regional competition in April. Harman has previously worked as an Equity Analyst Intern for CWB Wealth Management and as a Summer Analyst in Sales and Trading for BMO Capital Markets. This upcoming summer, he will be working as an Investment Banking Summer Analyst for BMO Capital Markets in Calgary. Harman hopes to obtain a CFA designation upon graduation. Aside from school, Harman enjoys boxing, music production, and travelling.

Joan Zheng

Joan is a fourth year Bachelor of Commerce student majoring in Finance and minoring in Accounting. She is one of the two managers for the Communication Services, Information Technology, and Utilities sectors and looks forward to working with all the incoming analysts. Last summer, Joan had the opportunity to be a Private Equity Intern with Franvest Capital Partners. Joan wrote the CFA Level I exam this past December and plans to complete the full designation. Upon graduation, Joan will be joining the RBC Energy Investment Banking Team in Calgary as an Analyst. In her spare time, she enjoys art, reading and travelling.

Consumers and Health Care

Megan Johnson

Megan is in her fourth and final year of the Bachelor of Commerce program at the University of Alberta. Her major is Finance, and she is the manager for the Consumers and Healthcare sectors. In the fall semester, Megan competed at the Thammasat Undergraduate Business Challenge in Thailand, and during the winter semester, she competed at the Rotman International Trading Competition in Toronto, and the National Investment Banking Competition in Vancouver. Following graduation, she will be working at RBC as an Investment Banking Analyst in the Energy sector. In her free time, Megan enjoys skiing, running, backpacking, traveling and cooking

Energy

Liam Vernon

Liam is in the final year of his Bachelor of Commerce degree with a major in Finance and a minor in Natural Resources, Energy, and Environment and is one of two managers for the energy sector. Last summer, Liam interned with CIBC Capital Markets in their Energy Investment Banking group in Calgary and is excited to return full-time after graduation. Liam is a manager for the Alberta Rotman International Trading Team, the VP Academic for the Business Finance Association, and competed on the JDC West Finance team in 2019. In December, Liam passed the CFA Level I Exam and intends to write the Level II Exam after graduation. Outside the classroom, Liam likes to watch hockey and football, listen to music, travel, and exercise.

Tatiana Marciniak

Tatiana is completing her last year at the Alberta School of Business with a major in Finance & Mathematics. She is one of the managers for the Energy sector in PRIME. Last summer, Tatiana worked with the Public Markets U.S. Small Cap team at British Columbia Investment Management Corporation (BCI). This upcoming summer, she will be joining Canada Pension Plan Investment Board's (CPPIB) Energy Infrastructure group. Previously, Tatiana held a variety of positions at Alberta Investment Management Corporation (AIMCo) and Peace Hills Insurance Company. She wrote her CFA Level I this past December and intends to write her CFA Level II exam shortly after graduation. In her spare time, Tatiana enjoys cycling, listening to podcasts, gardening, and exploring new cuisines.

Fund Managers

Financials and Real Estate

Andy Ton

Andy is entering his fourth year of a Bachelor of Commerce degree with a major in Finance and a minor in Business Economics and Law. He is one of two managers in the Financials and Real Estate sector and is looking forward to working with the incoming analysts. This past summer, Andy worked as an Investment Banking Summer Analyst for Bank of America Securities, where he will be returning full-time upon graduation. In March, Andy will compete in the National Investment Banking Competition finals in Vancouver. He will also compete in the Americas Regional competition for the CFA Investment Research Challenge in New York City and write the CFA Level II exam in June. Aside from school, Andy is a fully licensed pilot who enjoys flying, playing piano, soccer, and exercising in his spare time.

Emilie Richards

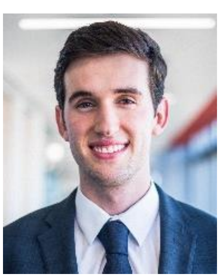
Emilie is in her fourth year in the Bachelor of Commerce program with a major in Finance and a minor in Business Economics & Law. She is one of two managers for the Financials and Real Estate sector this year. Emilie has held several positions in the Business Students' Association and is looking forward to competing on the Alberta JDC West Business Strategy team. Emilie is looking forward to working with the new analysts in her final year in PRIME, and returning to Scotiabank with the Investment Banking team. Emilie also enjoys traveling, spending time with friends, and walking her dogs.

Industrials

Nick Thomson

Nick is a fourth year Bachelor of Commerce student majoring in Finance with a minor in Accounting. He is the manager for the Industrials sector. He has worked as an Equity Analyst for CWB Wealth Management in the past summer and will be working at SAF Group in the upcoming summer. Nick has passed the CFA Level One exam and intends to pursue a career in Capital Markets upon graduation. In his spare time, Nick enjoys exercising, climbing, golfing, and playing hockey.

Materials



Nick Ambrozic

Nick is a fourth-year Bachelor of Commerce student with a major in Finance and a Certificate in Real Estate. He is one of the two managers for the Materials sector. This past summer, Nick worked as a Summer Analyst for Scotiabank Global Banking & Markets in their Investment Banking Division, where he will be returning full time. Nick is also on the CFA Investment Research Challenge team, where his team will be competing in New York City for the Americas Regional competition. Additionally, he will be competing in the National Investment Banking Competition finals in Vancouver and is writing the CFA Level II exam this June. Outside of academics, Nick enjoys hockey, golf, and wakesurfing

Lindsey Walsh

Lindsey is currently completing her final year of her Bachelor of Commerce degree with a major in Finance and a minor in Accounting. She is one of the two managers for the Materials sector and is excited to collaborate with her co-manager and the new analysts in her final year of the program. Over the summer, Lindsey worked as an Investment Banking Summer Analyst with JP Morgan and is looking forward to returning to the company full-time next summer. She completed her CFA Level 1 exam in December and plans to obtain her full designation in the future. In her spare time, Lindsey enjoys cycling, skiing, traveling, and yoga.

Alumni Network

Over the years, there have been many successful students that have completed the program and have since gone on to careers in the field of finance. PRIME has added value to these students education. As well, most of the Alumni pursue a CFA designation upon graduation, while venturing on to professions with a variety of leading institutions as seen below.

The Alumni have been very helpful in assisting students by providing knowledge and career opportunities to current PRIME students, and our network has grown to over 170 alumni to date. As a result, PRIME's Alumni network has branched out with individuals working in Calgary, Edmonton, Houston, London, Montreal, New York, San Francisco, Toronto, Vancouver, Victoria, and Winnipeg.

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We would like to thank the following businesses for their support of the program by allowing us to use their services: CWB Wealth Management, Computerized Portfolio Management Services Inc. and State Street Trust Company Canada. We would like to especially thank Keith Walton, the Board of Directors, all of the mentors and Dean Joseph Doucet for their continued support of the PRIME Program and their contributions to the program since its inception in 1999. In addition we are grateful to the alumni network who continue engaging students of the program through mentorship and industry insights. Their consistent support allows the program to continue its development and maintain a strong recognition in industry.

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For more information on PRIME or future reports, please click **[here]**

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