2022 ANNUAL REPORT

PRIME

INVESTMENT FUND

UNIVERSITY OF ALBERTA
ALBERTA SCHOOL OF BUSINESS

For the year 2022, the PRIME Fund returned -1.94%, outperforming the S&P/TSX Composite Index by 3.91%.

Since inception, the Fund's compound annual growth rate is 8.63%, while that of the S&P/TSX Composite Index is 5.96%.

PROGRAM DIRECTOR'S MESSAGE

Keith Walton

2022 saw PRIME meetings return to in-person and I was happy to have the face to face interactions with the students again. Changes in how people work, inflation, supply chain issues and the ensuing volatility of the markets provided lots of fuel for our discussions. Companies are rethinking their supply chain, and redefining how their employees work; is this a paradigm shift or a phase? I think we will have to wait to see. Diversity, equity and inclusion also featured prominently in our discussions. We delved into this issue and explored how it related to the finance business and PRIME. It's clear that the students embrace diversity and understand its importance. They voiced the idea that having a variety of minds from varying backgrounds contributing different ideas is a result of good EDI practices that encourage people of different cultures, gender, sexual orientation and so forth (and not any one group). They see that diversity of thought is the key tenet to building a better thesis, team and program.

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 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. In March, PRIME sponsored a successful event which included a presentation on financial markets and the opportunity to speak with industry professionals about their experience in the field. The event was well attended by students from the School of Business. I believe that initiatives like this will help connect and attract more women to the program and careers in finance ultimately helping to build a more gender equitable industry

The nuts and bolts of PRIME has not changed 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. The PRIME Fund earned a total return of -1.94% over 2022, beating the S&P/TSX Index's total return of -5.84%. We are very happy with the results this year given the turmoil in the markets and it shows the students the importance of adhering to a mandate for long term returns.

I would like to thank the PRIME Fund's client, the University of Alberta Endowment fund and the Edmonton CFA Society for their continued support and 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 Edmonton Finance community. The mentors provide guidance and advice to students through one on one discussion 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 Winspear 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 high achieving undergraduates with an interest in investment analysis and management.

The Fund has grown over the years and is now valued at over C$2,000,000. To date, PRIME maintains over 200 alumni in major financial centres across the globe. The Program Director, Keith Walton, celebrated his fifth year of guiding students through the program and sharing his extensive knowledge of the financial industry.

PRIME Year in Review

Over 2022, the PRIME Fund returned -1.94%, outperforming the S&P/TSX Composite by 3.91%. The Fund's outperformance was attributed to stock selection of 2.67%, while sector allocation added 1.24%. The Information Technology sector was the largest contributor to the Fund's outperformance, coming from a mix of selection and allocation. Just like in 2021, the Energy sector remained a strong contributor, owing to favourable selection within the sector.

Despite having a negative return in 2022, the Information Technology sector significantly outperformed the benchmark on the backs of rising interest rates and the collapse of high-growth names in the index. The Fund's exposure to more stable names such as Kinaxis (TSX: KXS) and Open Text (TSX: OTEX) added selection effects of 1.07% and 0.59%, respectively, toward the Fund's outperformance. The Russo-Ukrainian war in early 2022 buoyed energy prices throughout the year, causing the Energy sector to again outperform. Enerplus (TSX: ERF) led the sector in selection, contributing 1.04%, primarily due to the strategic divestment of Canadian assets in favour of U.S. opportunities. Within the Financials sector, Definity (TSX: DFY) was the strongest performer as a result of rapid growth in written premiums. The Consumer Discretionary sector also contributed positively to performance, with Dollarama's (TSX: DOL) ability to keep costs down and grow sales driving performance. Despite negative returns from the fund's only Health Care name, Sienna Senior Living (TSX: SIA), the sector outperformed due to a further collapse in the cannabis market. Consumer Staples provided a relatively flat contribution towards the Fund's return, yet Loblaw (TSX: L) saw a positive return despite a challenging inflationary environment.

In a stark reversal from 2021, the Materials sector was the largest detractor from performance. Retreating lumber prices from cooling housing and remodelling demand caused West Fraser (TSX: WFG) to pull back from its all-time highs as they shuttered mills. The Industrials sector also saw a negative performance, driven by ATS Corporation (TSX: ATS) facing decreased global demand and higher costs for electrical components. TELUS (TSX: T) was the Fund's only Communication Services holding and slightly underperformed as growth in its international segment was offset by currency losses. Dream Industrial REIT (TSX: DIR.UN) again underperformed due to rising interest rates and faltering industrial demand and caused the Real Estate sector to underperform. Finally, Utilities slightly underperformed with Northland Power (TSX: NPI) seeing rising renewable revenue offset by higher costs and interest rates.

2022 Quarterly Performance

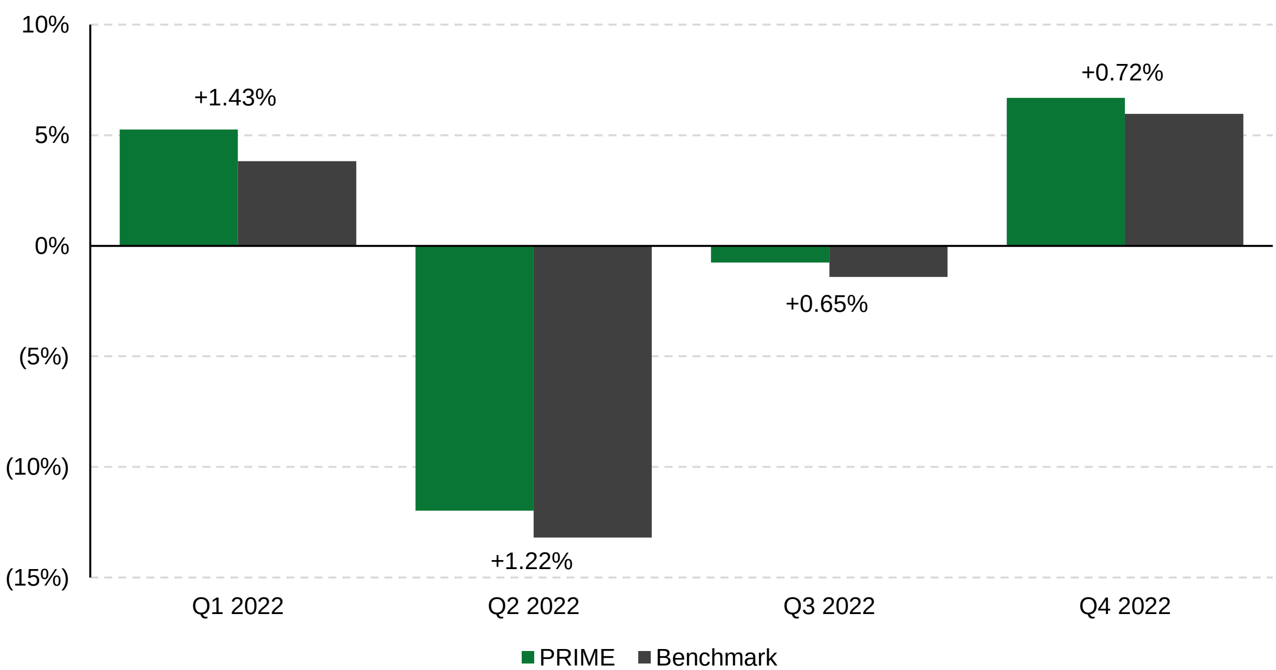
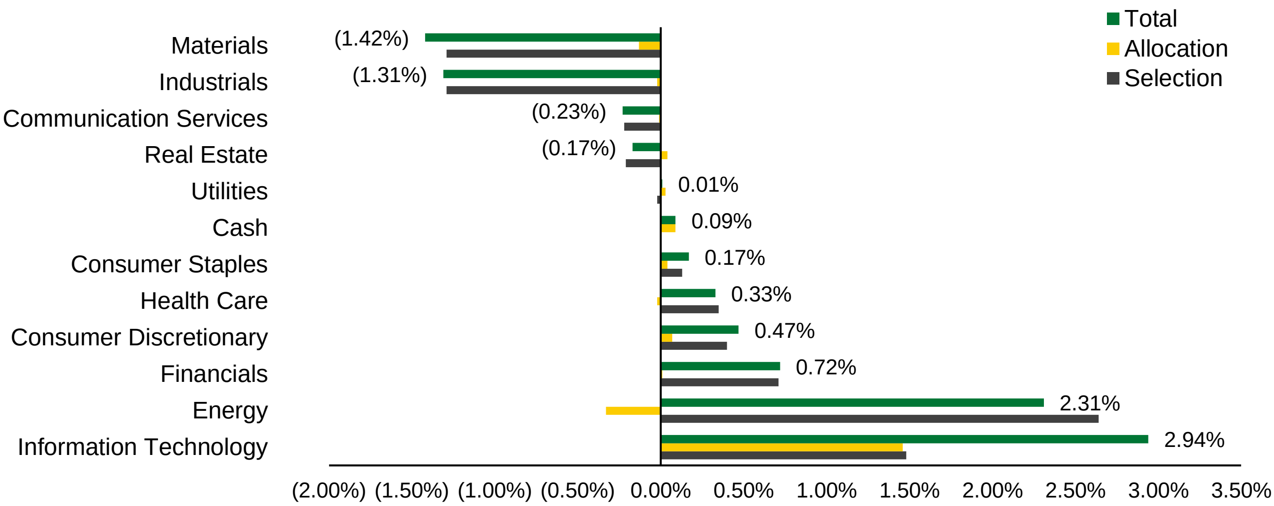


Figure 1 | PRIME 2022 Quarterly Performance versus S&P/TSX Composite Index

Performance Drivers

The PRIME Fund returned -1.94% over the year, outperforming the S&P/TSX's return by 3.91%. The Information Technology, Energy and Financials 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 year ending December 31, 2022.



Allocation measures PRIME's ability to effectively allocate its 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, 2022

FY2022 Performance

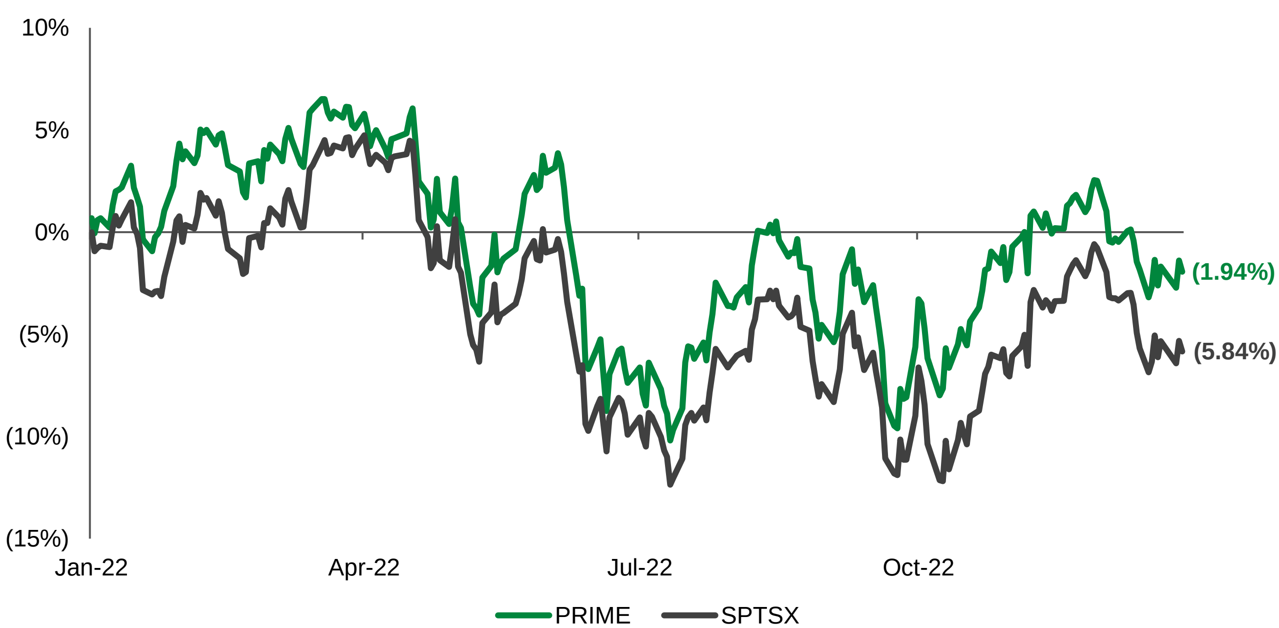


Figure 2 | Performance of the PRIME Fund versus the S&P/TSX Composite Index for the year ended December 31, 2022

Performance Overview

PRIME's performance over the year is outlined below. Stock selection in the Information Technology, Energy, and Financials sectors, as well as allocation in the Information Technology sector, were the major positive attribution contributors.

	Sector Returns			Weightings		Attribution		
Sectors	**PRIME**	**S&P/TSX**	**+/-**	**% of PRIME**	**% of S&P/TSX**	**Total**	**Allocation**	**Selection**
Information Technology	(34.74%)	(52.02%)	17.28%	5.33%	5.67%	2.94%	1.46%	1.48%
Energy	51.57%	30.27%	21.30%	18.40%	18.06%	2.31%	(0.33%)	2.64%
Financials	(7.10%)	(9.40%)	2.30%	30.18%	30.83%	0.72%	0.01%	0.71%
Consumer Discretionary	7.89%	(6.03%)	13.92%	3.82%	3.66%	0.47%	0.07%	0.40%
Health Care	(22.15%)	(61.59%)	39.44%	0.53%	0.37%	0.33%	(0.02%)	0.35%
Consumer Staples	13.86%	10.08%	3.78%	4.66%	4.23%	0.17%	0.04%	0.13%
Cash	0.42%	0.00%	0.42%	2.95%	0.00%	0.09%	0.09%	0.00%
Utilities	(12.19%)	(10.56%)	(1.63%)	3.62%	4.41%	0.01%	0.03%	(0.02%)
Real Estate	(28.40%)	(21.46%)	(6.94%)	2.10%	2.59%	(0.17%)	0.04%	(0.21%)
Communication Services	(8.26%)	(2.59%)	(5.67%)	3.90%	4.89%	(0.23%)	(0.01%)	(0.22%)
Industrials	(9.47%)	1.44%	(10.91%)	12.07%	13.28%	(1.31%)	(0.02%)	(1.29%)
Materials	(10.69%)	1.77%	(12.46%)	12.44%	12.02%	(1.42%)	(0.13%)	(1.29%)

***Weightings as of December 31, 2022**
Figure 3 | Sector attribution and relative sector weighting for the year ending December 31, 2022

Sector Allocation

The Fund held a 2.95% cash position at the end of FY2022 and is currently underweight in the following sectors: Information Technology, Real Estate, Financials, Utilities, Communication Services, and Industrials.

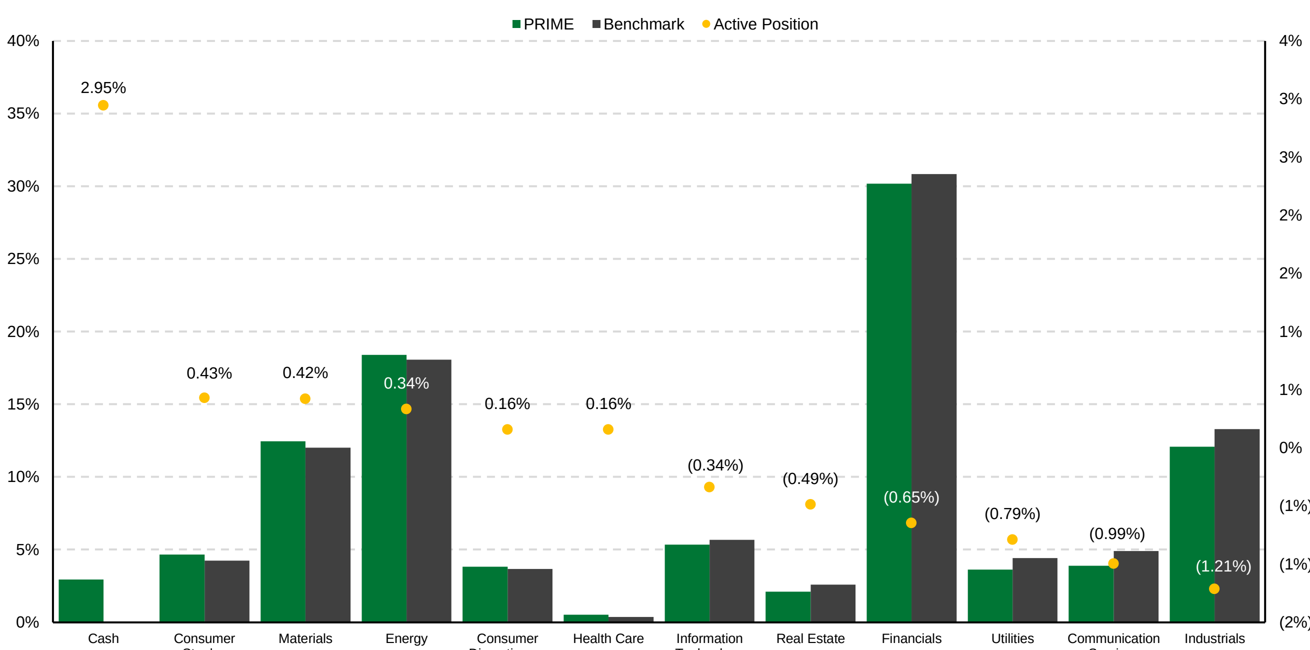


Figure 4 | PRIME Sector Weightings in order of active positions (as of December 31, 2022)

Key Performers

PRIME's 10 Largest Holdings

Company	% of PRIME	% of S&P/TSX	Active Position
Toronto-Dominion Bank	8.38%	5.68%	2.73%
Bank of Nova Scotia	6.08%	3.24%	2.74%
Bank of Montreal	5.44%	3.03%	2.42%
Canadian National Railway Co.	5.28%	3.23%	2.28%
Telus Corp.	4.37%	0.07%	4.37%
WSP Global Inc.	3.64%	0.47%	2.19%
West Fraser Timber Co. Ltd.	3.55%	0.30%	3.22%
Brookfield Infrastructure Partners	3.36%	0.79%	2.29%
Canadian Natural Resources	3.33%	2.89%	2.97%
Cenovus Energy Inc.	3.32%	1.05%	0.24%

Figure 5 | PRIME's Top 10 Relative Weights Versus the Benchmark, Weighted Average Through FY2022

Top Attribution Contributors

Company	Attribution
Kinaxis Inc.	1.07%
Enerplus Corp.	1.04%
Definity Financial Corp.	0.99%
Cenovus Energy Inc.	0.86%
Intact Financial Corp.	0.73%

Bottom Attribution Contributors

Company	Attribution
Bank of Nova Scotia	(0.95%)
West Fraser Timber Co. Ltd.	(0.85%)
Onex Corporation	(0.62%)
WSP Global Inc.	(0.61%)
MDA Ltd.	(0.55%)

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

Valuation Statistics as at December 31, 2022

Metric	PRIME Fund	S&P/TSX
Beta	1.01	1.00
EV/EBITDA	7.31x	7.33x
Price to Earnings Ratio (P/E)	11.74x	12.64x
Price to Book Ratio (P/B)	1.80x	1.79x
Price to Cash Flow Ratio (P/CF)	11.03x	9.97x
Dividend Yield	3.25%	3.28%
Return on Assets	2.47%	1.66%
Return on Common Equity	17.70%	13.59%
Sharpe Ratio	-0.17	-0.52

Figure 7 | PRIME's Key Valuation Metrics – Retrieved from Bloomberg

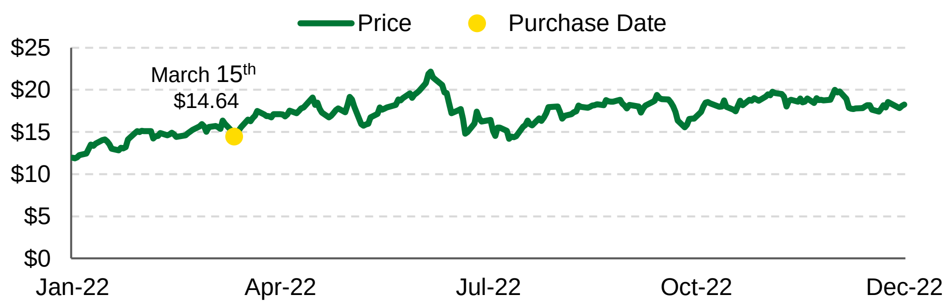
Trades

During the year, the PRIME Fund entered positions in ARC Resources Ltd., Canaccord Genuity Group Inc., Definity Financial Corp., Ero Copper Corp., Jamieson Wellness Inc., MDA Ltd., and Shopify Inc. Positions were trimmed in Canadian Natural Resources Ltd., Cenovus Energy Inc., Loblaw Companies Ltd., Suncor Energy Inc., and Toronto-Dominion Bank. Finally, we completely exited our positions in Air Canada, CGI Inc., Manulife Financial Corp., Saputo Inc., and Stelco Holdings Inc.

New Positions

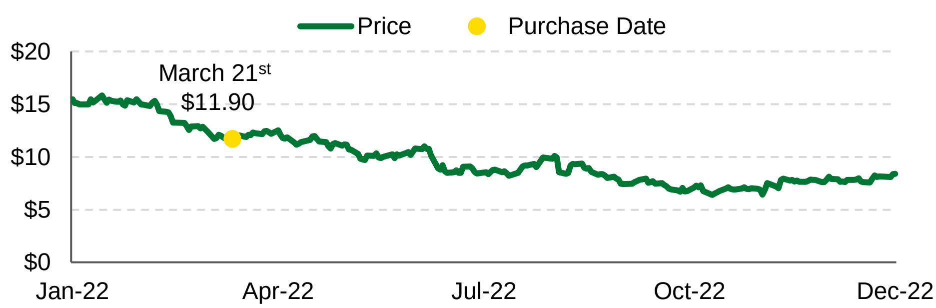
ARC Resources Ltd. (TSX: ARX)

Energy



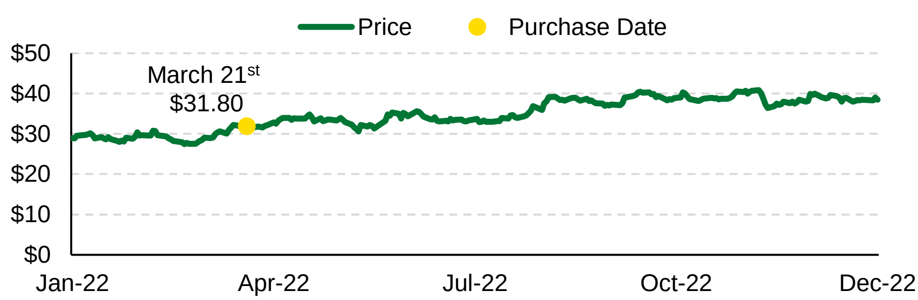
Canaccord Genuity Group Inc. (TSX: CF)

Financials



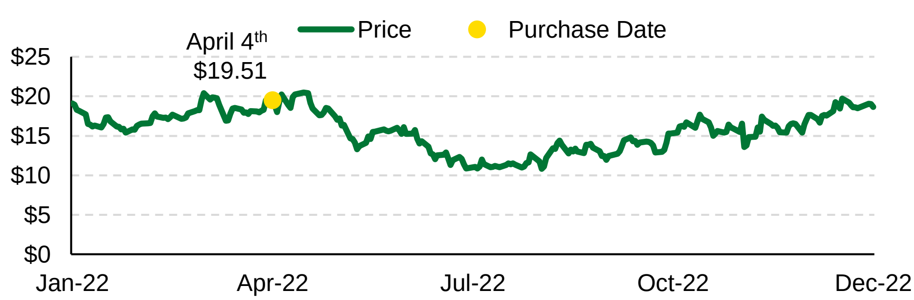
Definity Financial Corp. (TSX: DFY)

Financials



Ero Copper Corp. (TSX: ERO)

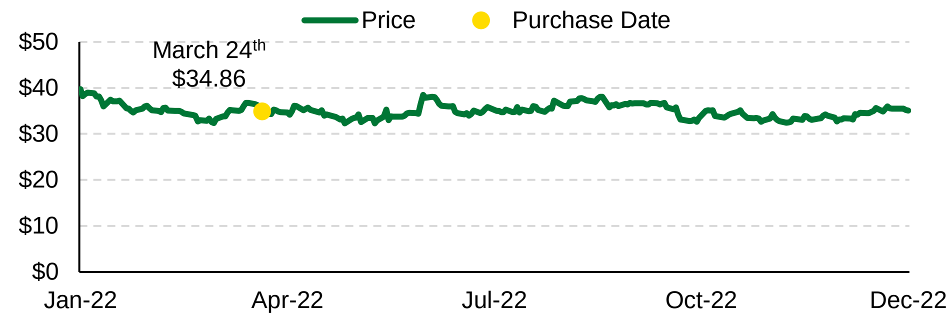
Materials



New Positions

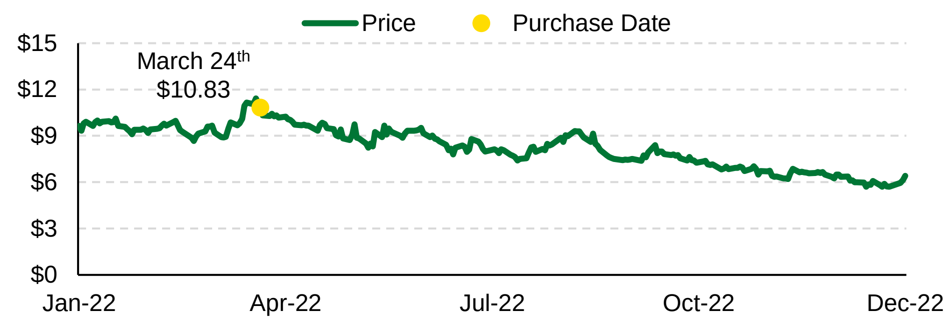
Jamieson Wellness Inc.
(TSX: JWEL)

Consumer Staples



MDA Ltd.
(TSX: MDA)

Industrials



Shopify Inc.
(TSX: SHOP)

Information Technology

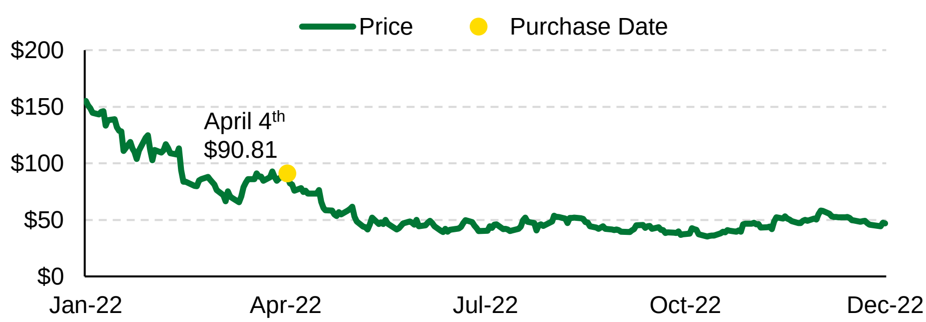


Figure 8 | PRIME's purchase price and date for new holdings during the year

Trade Summary

	PURCHASED	SOLD
Consumers & Health Care	JAMIESON wellness inc.	* Loblaw Companies Limited Saputo
Energy	ARC Resources Ltd.	* cenovus Energy * Canadian Natural * Suncor
Financials & Real Estate	cg Canaccord Genuity definity.	Manulife * TD
Industrials	MDA	AIR CANADA
Info Tech, Comm. Services & Utilities	shopify	CGI
Materials	ERO Copper	STELCO The Steel Company of Canada

* Trimmed Position

Figure 9 | Trade summary and rebalancing

PRIME Portfolio as at December 31, 2022

Company	Shares	Market Value	Market Price	Weight	Book Value	Unrealized Gains/Losses	Currency
Communication Services				**Underweight**			
Telus Corp.	3,214	$83,981.82	$26.13	3.90%	$67,950.23	$16,031.59	CAD
Consumer Discretionary				**Overweight**			
Dollarama Inc.	506	$40,070.14	$79.19	1.86%	$16,219.83	$23,850.31	CAD
Restaurant Brands International	350	$30,649.50	$87.57	1.42%	$29,329.51	$1,319.99	CAD
Sleep Country Canada Holdings	505	$11,604.90	$22.98	0.54%	$18,090.36	($6,485.46)	CAD
Consumer Staples				**Overweight**			
Alimentation Couche-Tard	570	$33,915.00	$59.50	1.57%	$28,311.90	$5,603.10	CAD
Jamieson Wellness Inc.	600	$21,054.00	$35.09	0.98%	$20,896.02	$157.98	CAD
Loblaw Companies Inc.	380	$45,493.60	$119.72	2.11%	$25,228.20	$20,265.40	CAD
Energy				**Underweight**			
ARC Resources Ltd.	2,900	$52,925.00	$18.25	2.45%	$42,037.24	$10,887.76	CAD
Canadian Natural Resources Ltd.	903	$67,896.57	$75.19	3.15%	$35,099.61	$32,796.96	CAD
Cenovus Energy Inc.	2,934	$77,076.18	$26.27	3.58%	$43,276.50	$33,799.68	CAD
Enerplus Corp.	3,018	$72,130.20	$23.90	3.35%	$50,678.56	$21,451.64	CAD
Keyera Corp.	690	$20,417.10	$29.59	0.95%	$20,824.68	($407.58)	CAD
Secure Energy Services Inc.	3,650	$25,659.50	$7.03	1.19%	$25,931.43	($271.93)	CAD
Suncor Energy Inc.	1,331	$57,166.45	$42.95	2.65%	$41,950.32	$15,216.13	CAD
TC Energy Corporation	432	$23,319.36	$53.98	1.08%	$24,658.56	($1,339.20)	CAD
Financials				**Underweight**			
Bank of Montreal	900	$110,394.00	$122.66	5.12%	$91,997.91	$18,396.09	CAD
Bank of Nova Scotia	1,700	$112,846.00	$66.38	5.23%	$89,339.42	$23,506.58	CAD
Canaccord Genuity Group Inc.	2,020	$16,947.80	$8.39	0.79%	$24,072.34	($7,124.54)	CAD
Definity Financial Corp.	1,965	$75,613.20	$38.48	3.51%	$62,585.25	$13,027.95	CAD
Intact Financial Corp.	326	$63,540.66	$194.91	2.95%	$25,684.30	$37,856.36	CAD
Onex Corporation	550	$35,909.50	$65.29	1.67%	$38,731.99	($2,822.49)	CAD
Sun Life Financial Inc.	1,016	$63,855.60	$62.85	2.96%	$44,710.10	$19,145.50	CAD
Toronto-Dominion Bank	1,958	$171,657.86	$87.67	7.96%	$85,061.79	$86,596.07	CAD
Health Care				**Overweight**			
Sienna Senior Living Inc.	1,045	$11,390.50	$10.90	0.53%	$20,168.50	($8,778.00)	CAD
Industrials				**Underweight**			
ATS Automation Tooling Systems	1,000	$42,090.00	$42.09	1.95%	$27,401.70	$14,688.30	CAD
Canadian National Railway Co.	744	$119,664.96	$160.84	5.55%	$54,717.46	$64,947.50	CAD
MDA Ltd.	3,105	$19,872.00	$6.40	0.92%	$33,627.15	($13,755.15)	CAD
WSP Global Inc.	500	$78,545.00	$157.09	3.64%	$35,953.70	$42,591.30	CAD
Information Technology				**Underweight**			
Kinaxis Inc.	314	$47,699.74	$151.91	2.21%	$48,928.11	($1,228.37)	CAD
Open Text Corp.	822	$32,978.64	$40.12	1.53%	$17,262.00	$15,716.64	CAD
Shopify Inc.	730	$34,317.30	$47.01	1.59%	$66,539.50	($32,222.20)	CAD
Materials				**Underweight**			
CCL Industries Inc.	608	$35,166.72	$57.84	1.63%	$26,778.67	$8,388.05	CAD
Ero Copper Corp.	3,344	$62,332.16	$18.64	2.89%	$65,273.54	($2,941.38)	CAD
Lundin Mining Corp.	4,866	$40,436.46	$8.31	1.88%	$34,376.83	$6,059.63	CAD
West Fraser Timber Co. Ltd.	707	$69,123.39	$97.77	3.21%	$29,711.03	$39,412.36	CAD
Wheaton Precious Metals Corp.	1,157	$61,205.30	$52.90	2.84%	$31,655.52	$29,549.78	CAD
Real Estate				**Underweight**			
Dream Industrial Real Estate	3,880	$45,357.20	$11.69	2.10%	$38,140.40	$7,216.80	CAD
Utilities				**Underweight**			
Brookfield Infrastructure Partners	1,455	$61,022.70	$41.94	2.83%	$53,383.95	$7,638.75	CAD
Northland Power Inc.	460	$17,079.80	$37.13	0.79%	$13,271.00	$3,808.80	CAD
Cash				**Overweight**			
Canadian Dollar		$60,512.04	$1.00	2.81%	$60,512.04	$0.00	CAD
U.S. Dollar		$3,019.96	$1.00	0.14%	$2,923.49	$96.47	CAD
Total Portfolio Value		**$2,155,937.81**		**100.00%**	**$1,613,290.64**	**$542,550.70**	**CAD**

Figure 10 | PRIME Portfolio Overview

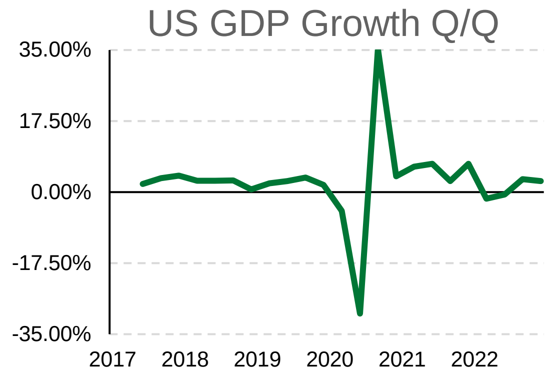
2022 Macroeconomic Review

2022 was a volatile year for equity markets as the rebound from COVID-19 brought periods of extremes in both positive and negative directions. Pandemic measures were lifted early in the first quarter for the majority of countries, but restrictions lingered throughout the year for Asian nations. With a return to normal life in most of the world, equity markets reacted positively. Economic worries became present when second-quarter GDP results came in lower than expected for the United States and China. Major central banks began a contractionary monetary policy to combat rising inflation that was no longer considered transitory with rate hikes beginning in the first quarter and lasting throughout the year.

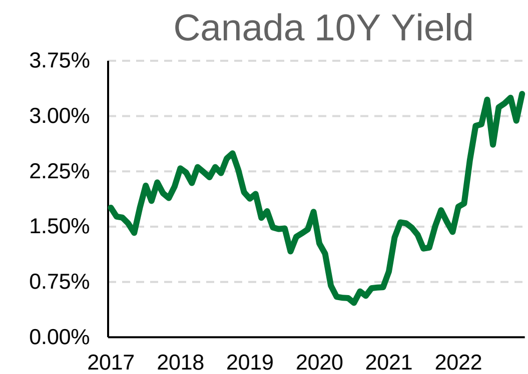
Central banks used quantitative tightening to shrink the sizes of their balance sheets through all four quarters of the year. The Trudeau government launched the Canada Growth Fund in September to bring private investment into the country while also working towards clean energy goals. Alongside this fund, a tax on share buybacks by public corporations in Canada was implemented. Midterm elections for the United States were held in the late fall, with the Republican party taking control of the House of Representatives and the Democratic party keeping control of the Senate.

The S&P/TSX Composite Index returned -8.5%, with the NASDAQ and the DJIA returning -33.47% and -8.78%, respectively. The main sectors that contributed to the negative returns in Canadian equity markets were Health Care, Information Technology, and Real Estate. Some bright spots in the Canadian markets were the Energy, Consumer Staples and Materials sectors, as commodities continued to perform well throughout the summer, with WTI reaching a high of US$123.70/bbl.

After a positive 2021, investors retreated in 2022 due to the fear of rising interest rates, high inflation, and a weak Canadian dollar. Investors reacted strongly to interest rate news after they had become accustomed to a low rate environment, heightening the fear of uncertainty going forward. Overall contractionary and controlling measures by Central Banks and governments led to an unstable year for markets as investors weighed the costs of inflation and the possibility of a future recession.

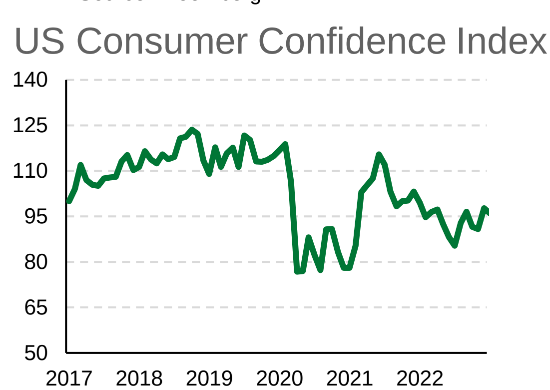


Source: Bloomberg



Source: Bloomberg

Source: Bloomberg



Source: Bloomberg

2023 Macroeconomic Outlook

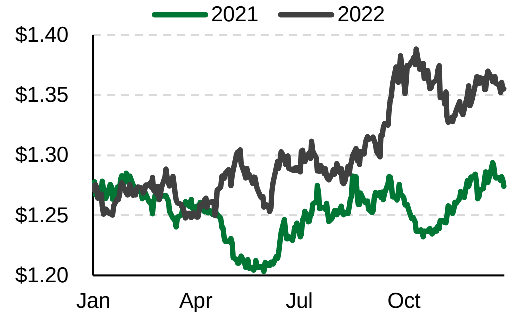
The biggest question moving into 2023 will be when central banks start to pivot given the backdrop of persistent inflation. The U.S. Federal Reserve continues to advocate an all-out war on inflation into 2023, with an expectation to not pivot until at least H2. Although the Bank of Canada announced a pause in early 2023, the decision was likely due to the increased indebtedness in the Canadian economy, rather than a more favourable inflation outlook. The more liberal stance on inflation in Canada leads us to have a bearish outlook on the CAD/USD exchange rate. Looking forward, the price declines already seen in key commodities and services such as lumber, base metals, oil, and shipping costs will not be enough to quell inflation. To meet their goals, central banks must target a tight labour market and rising wages, an extremely difficult area given the already heightened cost of living. Accordingly, consumer confidence levels remain depressed compared to pre-COVID, and we expect them to further weaken in the coming months. On the industrial production front, we expect a global manufacturing recession to occur as the manufacturing sector is already facing increased inventory-to-sales ratios, and the purchasing managers index showing a similar story with falling confidence for the industrial sector. Altogether, we anticipate that a hard landing will likely be inevitable for the economy in the coming year, as central banks take their fight to the labour market and bring down industrial and manufacturing demand with it.

Interest Rates

The Federal Reserve hiked interest rates a total of seven times throughout 2022 in an attempt to cool rampant inflation that had previously been coined transitory. Rates ranged from 0.25%-4.50% during the year as monetary policy became contractionary and the Federal Reserve began to shrink the size of its balance sheet. The annual inflation rate for the United States was 6.5% for the year, after rising 7.1% for the year prior. Jerome Powell acknowledged that the interest rate at which target inflation will once again be achieved is unknown, but it will likely be much higher than originally expected. This tone is probable to continue into 2023 as the Federal Reserve works to restore the supply and demand equilibrium.

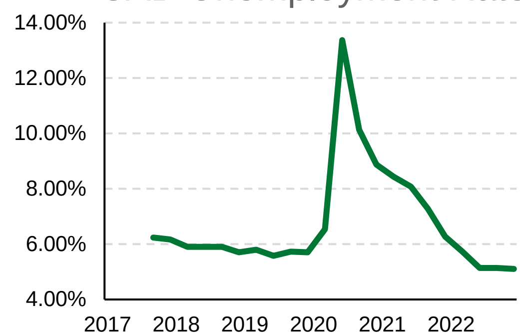
2022 for the Bank of Canada closely mirrored that of the Federal Reserve as the Bank raised its policy interest rate seven times, within the range of 0.50%-4.25% over the year. Looking ahead, the 3% inflation target is expected to be reached by the end of 2023. Projections have been revised over the past year as the initial 2% target was expected to be reached in the middle of 2022. Over the next year, we expect the Bank of Canada to follow similar actions as the U.S. Federal Reserve, continuing small rate increases in an attempt to stall demand and allow supply to catch up.

USD/CAD Rate



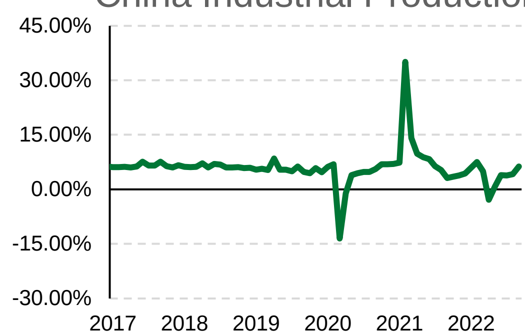
Source: Bloomberg

CAD Unemployment Rate



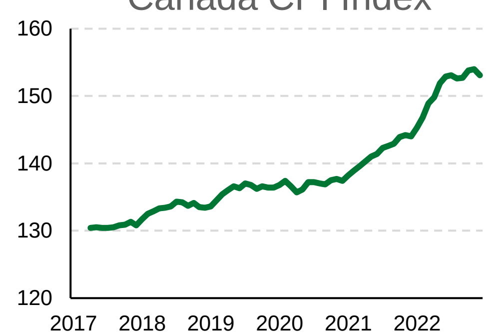
Source: Bloomberg

China Industrial Production



Source: Bloomberg

Canada CPI Index



Source: Bloomberg

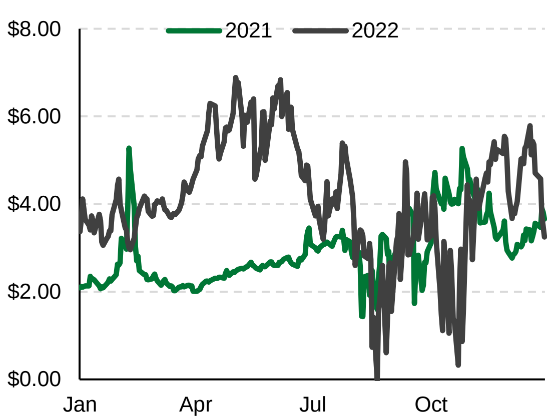
AECO

AECO started the year trading at US$3.19/MMBtu and finished 2022 at US$3.09/MMBtu, down 3.18% over the year. Initially, prices were buoyed by extreme sub-zero temperatures in Northern Texas that transpired across North America, which pushed inventories in Western Canada to persist below the five-year average. Prices remained elevated in Q2, reaching a high of US$6.50/MMBtu with unusual spring freezes, and Alberta's coal power phase-out keeping inventories low. This favourable pricing caused producers to turn on the taps, leading to price contraction. The NGTL pipeline system maintenance in Q3 further exacerbated the limited Canadian pipeline capacity, encouraging large Canadian natural gas producers to cut production due to unfavourable pricing. During this period, AECO temporarily hit a low of US$-0.02/MMBtu. Moreover, the Freeport LNG export facility outage led to decreased demand for Albertan natural gas and substantial inventory build-ups. Prices recovered as cooler winter temperatures increased demand, and Enbridge announced it would invest ~$3.6B in its B.C. gas pipeline, spurring confidence in increased Canadian pipeline capacity. As natural gas proceeds to be the bridge in the energy transition, AECO is well positioned with The Coastal GasLink pipeline project and the LNG Canada export terminal, aiming for completion in 2023 and 2025 respectively. We anticipate AECO to trade in the US$4.00/MMBtu - US$5.0/MMBtu range, at a differential to Henry Hub of US$1.00/MMBtu - US$1.50/MMBtu during 2023.

Henry Hub

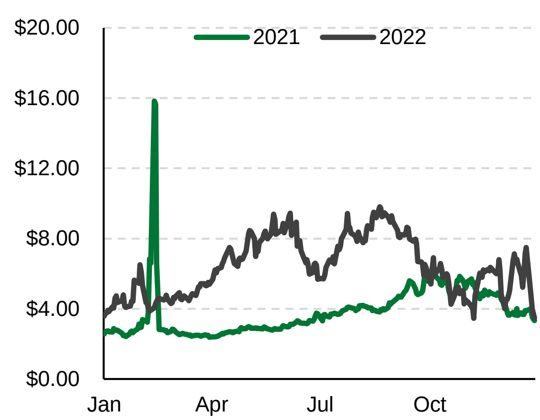
Henry Hub natural gas began the year trading at US$3.58/MMBtu and finished 2022 at US$3.48/MMBtu, down 2.88% over the year. Prices initially rose with freezing temperatures and U.S. storage volumes below the five-year average. Moreover, war broke out between Russia and Ukraine, cutting gas inputs from Russia to the EU, and requiring the EU to become the largest importer of U.S. LNG. Prices remained elevated throughout Q2 with hot weather resulting in record power demand. However, prices slightly faltered as the Freeport LNG export facility in Texas was forced to shut down, leading to abnormally high LNG inventories. Q3 saw prices hit record highs of US$9.81/MMBtu due to extreme heat, and problems regarding the transportation of a turbine for the Russia-Germany Nord Stream gas pipeline. Tension ultimately led to a complete shutdown of flows through the Nord Stream 1 pipeline. Prices started their descent late Q3-Q4, hitting a low of US$3.46/MMBtu as the Freeport terminal's restart date was continuously pushed back. Freeport still awaits approval for permission from regulators to start loading LNG onto the liquefaction trains. Analysts expect a return to full LNG production by mid-March 2023 or later. Furthermore, with the March-April spread nearing contango due to milder weather, this may pose concerns for Henry Hub as we move past peak demand months. Granted, as the EU still grips with finding alternatives to Russian natural gas, the U.S. will be a prime candidate once injection season commences, exposing the U.S. back to favourable international prices. Additionally, Chinese demand should re-establish itself after shifting away from their zero-COVID policy, further elevating prices. We anticipate Henry Hub to trade in the US$5.00/MMBtu - US$6.50/MMBtu range.

AECO (US$/MMBtu)



Source: Bloomberg

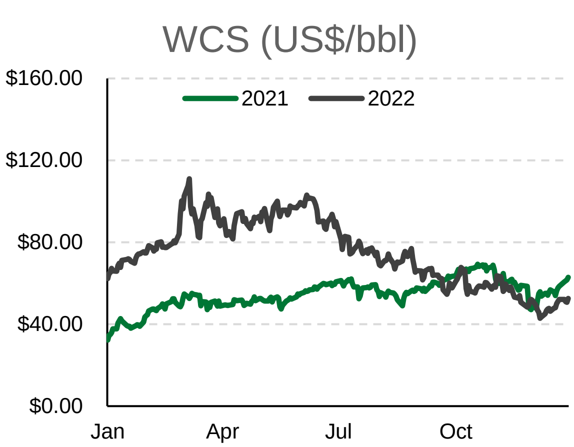
Henry Hub (US$/MMBtu)



Source: Bloomberg

WCS

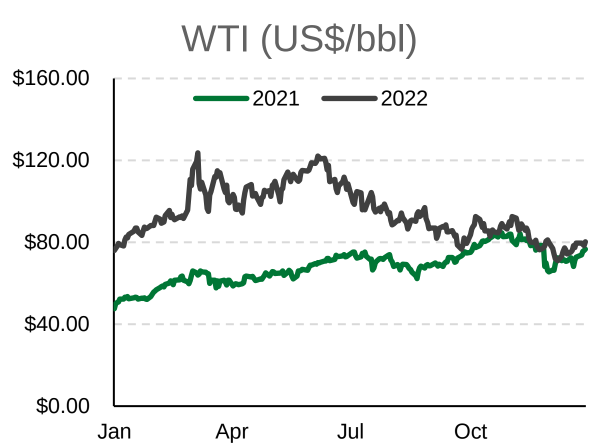
WCS opened 2022 trading at US$62.22, ranging between US$42.99/bbl - US$110.96/bbl throughout the year, and closed at US$52.84/bbl. The WTI-WCS differential peaked in October at US$32.61/bbl and closed the year at US$27.62/bbl. WCS shot upwards in early 2022 due to the Russian invasion of Ukraine, limiting global crude supply and forcing European countries to look elsewhere than Russia for energy. Canadian producers also saw increased seasonal maintenance at the beginning of the year, decreasing crude output by 5% in Q1 and contributing to higher prices. Despite the high prices, WCS traded at a significant discount to WTI, largely due to incessant issues with transporting Canadian crude. This was exemplified by further delays to the construction of the Trans Mountain pipeline and lower flows and a historic oil spill on the Keystone pipeline in Q2 and Q4, respectively. The differential widened as the U.S. announced numerous releases of predominantly sour crude from the Strategic Petroleum Reserve (SPR) to help relieve tight oil markets. Additionally, in the latter half of the year, demand for lighter crude grew due to high gas prices, resulting in a wider WTI-WCS differential due to increased heavy crude refinery costs. WCS also declined due to scheduled maintenance at BP's heavy crude refinery in Whiting and a fire at Cenovus' Toledo refinery, decreasing overall demand for heavy crude. In 2023, WCS may trade slightly higher as issues with refineries and pipelines resolve and the SPR begins repurchasing crude to replenish the reserves. The IEA and OPEC forecast record oil demand in 2023 as China reopens and Russia limits supply. As a result, in 2023 we anticipate WCS to trade around US$65/bbl - US$75/bbl, and we expect WCS to trade at a discount to WTI at approximately US$20/bbl - US$25/bbl.



Source: Bloomberg

WTI

WTI started the year trading at US$76.08 before hitting its peak in February at US$123.70/bbl. Later in the year, WTI fell, reaching a yearly low in December of US$71.02/bbl before closing at US$80.26/bbl. Demand for crude oil began the year on the rise as economies around the world recovered from the pandemic. Oil production, which was slashed during the pandemic, struggled to meet the increased demand, and the tight crude oil supply was vastly exacerbated once Russia invaded Ukraine. The invasion of Ukraine created major supply disruptions and low global crude oil inventories, acting as the primary catalyst for volatile crude oil prices for the remainder of 2022. Western countries riddled Russia with sanctions, which included embargoes and price caps, further limiting supply. In an effort to fight soaring oil prices and increase supply, the U.S. released record amounts of oil from the SPR. Biden's efforts were offset, however, when OPEC+ announced in Q4 its intention to cut production by 2 million bpd. Despite tight supply, demand persisted for the majority of the year, even as prices soared. European countries, which previously looked to Russia for a large portion of their supply, were forced to look elsewhere, increasing demand for WTI and consequently pushing up prices. High oil prices contributed to rising inflation, inciting the Federal Reserve to announce numerous rate hikes throughout the year. Increased interest rates sparked fears of a crash in demand, pushing prices down and providing the oil market with some relief in the latter half of the year. We anticipate volatility will continue into 2023, with China reopening, fears of a potential recession, and continued conflict in Ukraine, we expect to see elevated demand alongside continued tight supply. As a result, we anticipate crude oil prices to trade between US$85/bbl - US$95/bbl range in 2023.



Source: Bloomberg

Precious Metals

This past year was filled with uncertainty for precious metals as the Russo-Ukrainian War sent prices soaring in the first half of the year. Silver prices remained relatively stable over 2022, with increasing demand coming from industrial and clean energy projects. In 2023, silver consumption is set to slightly increase, being driven by elevated demand for clean energy applications such as solar photovoltaic panels. Therefore, we expect silver prices to retreat slightly below their historical averages. Fueled by macroeconomic uncertainty and slowing interest rate hikes, gold prices have remained elevated and have hit all-time highs due to Russia's invasion of Ukraine. Going into 2023, with recessionary fears and elevated risk of conflict, it is probable that gold will remain at heightened levels and will likely fall near the end of the year. Despite weakening economic conditions, we see continued aggressive actions from the Federal Reserve through the rest of the year and an eventual slowdown in the first quarter of 2024, which will likely lead to the softening of gold prices. Overall, with continued geopolitical tensions, recessionary fears, and a strong demand environment, we predict that gold prices will remain at these inflated levels through the first three quarters of 2023 and slightly fall after as real interest rates remain high.

Base Metals

Base metal prices were strong during the first quarter of 2022 with nickel and aluminum seeing the largest gains. However, through the remainder of the year, base metal prices depreciated with only nickel seeing a price increase. The weak pricing environment was primarily driven by rising interest rates, China's COVID-19-related lockdowns, prolonged elevated energy prices, and lowered demand caused by recessionary fears. While base metal prices were depressed over the last year, they have shown continuous gains in the previous three years, suggesting that underinvestment and supply deficits are partially offsetting a portion of the fall in demand. Looking ahead to 2023, we foresee a rebound in base metals prices due to the eventual decrease in interest rates, the removal of the zero-COVID policy in China, and energy prices that are forecasted to remain at heightened levels. OPEC+ and Russia have continued to cut production which will keep energy prices raised for the foreseeable future. Additionally, we expect the demand for base metals used in the energy transition to continue to grow which will put mounting pressure on supply and the ability to decrease the lead time for new projects. During the year, inventories for copper reached multi-year lows which illustrates the importance of increasing supply. New investments will be needed to keep pace with this increase in demand, or else rising demand for these energy-transition-related metals, such as copper, nickel, and cobalt will be in a long-term supply deficit.

Source: Bloomberg, COMEX

Source: Bloomberg, COMEX

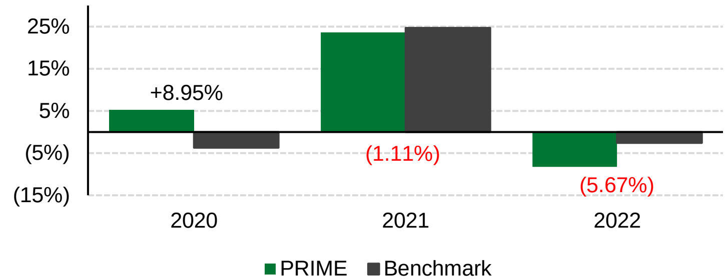
Communication Services

Portfolio Weighting: 4.37%

Annual Return: -8.26%

Manager(s): Theresa Buis, Kent Wang

Analyst(s): Austin Hanlan, Keith Kent



The Communication Services sector made up 4.37% of the PRIME portfolio over the course of 2022, 0.60% underweight relative to the S&P/TSX Composite Communication Services sector. Our holding returned -8.26%, underperforming the benchmark by 5.67%. During 2022, we maintained our underweight position in the Communication Services portfolio as we did not believe that this sector provided as many opportunities for growth. Moving forward, we still foresee the sector being underweight but may consider moving it closer to market weight as our conviction remains strong with Telus.

TELUS (TSX: T) returned -8.26% over 2022, underperforming the benchmark. Revenue growth was mainly attributed to TELUS International (DLCX). DLCX growth was due to increased customers across all verticals but was partially offset by foreign exchange losses in Europe. TELUS Technology (TTech) led by wireless revenue, benefitted from higher roaming charges as international travel recovered. Net subscribers increased due to more connected devices and internet subscribers. However, mobile phone ARPU growth was partially offset by better rates plans and increased bundling. Churn increased to 0.95% due to increased competition and retail traffic as pandemic restrictions were lifted. TELUS Health and TELUS Agriculture also experienced significant growth, primarily due to acquisitions. The company closed three acquisitions this year: Lifeworks, Fully Managed, and Vivint Smart Homes. Its largest acquisition, Lifeworks, will improve TELUS Health offerings with digital and in-person well-being support. Fully Managed allows TTech to provide improved IT support for SMEs. Vivint smart homes grows TELUS Security with a new portfolio of Canadian customers. Additionally, TELUS is expected to close its acquisition of WillowTree in Q1 of 2023, expanding its DLCX segment with improved front-end offerings. Going forward, we believe that TELUS' stable revenues combined with growth opportunities through DLCX well-positions the company for economic uncertainty in 2023.

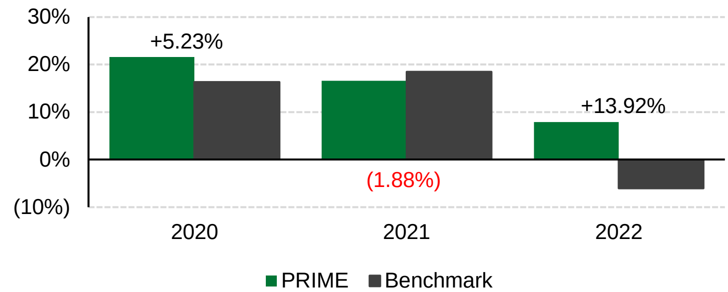
Consumer Discretionary

Portfolio Weighting: 3.51%

Annual Return: 7.89%

Manager(s): Hania Belal

Analyst(s): Adam Jamal



The Consumer Discretionary sector returned 7.89% over 2022, outperforming the benchmark by 13.92%. The sector accounted for 3.51% of the PRIME portfolio over the year, 0.08% overweight relative to the S&P/TSX Composite Index. Despite recessionary concerns mounting throughout 2022, we were comfortable remaining approximately market weight in the Discretionary sector due to the favourable composition of our portfolio. In particular, we view Dollarama and Restaurant Brands International to be less cyclical and more defensive, which aligned well with our view of the economy through the year, regardless of the Discretionary label.

Dollarama Inc. (TSX: DOL) was the sector's top performer for the year, returning 25.46%. Throughout the year, investors remained confident in Dollarama's ability to grow sales despite rising inflation and decreases in consumer spending. Dollarama was able to maintain demand primarily due to its affordable pricing model. Dollarama implemented a new maximum price point of $5.00 for its products to combat rising supply costs. The new price point allowed Dollarama to pass off inflated costs to consumers while expanding its product lines. Dollarama also remained committed to growth through store expansion in 2022. Through the first three quarters, it opened 41 new stores and expanded into new cities across Canada. In addition, its Latin American subsidiary, Dollarcity, opened 45 stores over the first three quarters. Despite decreases in consumer confidence and spending Dollarama's strong performance increases our belief in the holding as inflation remains high in Canada.

Restaurant Brands International (TSX: QSR) returned 18.58% over the year. RBI started the year by completing its $1 billion acquisition of Firehouse Subs. The deal indicated RBI's commitment to growth this year, highlighted by record store openings of 334 stores in the first quarter. Notable expansions throughout the year included Tim Horton's opening in India and Popeyes finalizing a deal to enter China. Despite consumers having higher eating-at-home levels this year, RBI capitalized on consumers transitioning from full-service to quick-service restaurants when they wanted to eat out. This trend allowed RBI to maintain sales despite decreased consumer spending. In November, RBI appointed former Domino's Pizza CEO Patrick Doyle as Executive Chairman. Doyle has a reputable history of improving digital sales and profit margins - both critical areas of interest for RBI. We believe RBI's strategic decisions throughout the year have positioned the company for future operational and financial success.

Sleep Country Canada (TSX: ZZZ) returned -36.82% over the year. Investors held concerns throughout the year about Sleep Country's ability to mitigate decreasing consumer confidence. High discretionary spending levels are critical for financial success within the durables industry. Despite these concerns, Sleep Country delivered the best Q1 and Q2 earnings in company history. The company also ran several successful promotional campaigns to mitigate decreasing consumer spending in 2022. Key promotional activities included e-Commerce partnerships with Loblaw and Best Buy and the creation of pop-up stores in Walmarts across Canada. The promotions helped grow digital sales, seeing e-Commerce sales account for the highest percentage of total sales in company history throughout the year. We believe Sleep Country has confidently navigated difficult economic conditions in 2022. The innovative sales tactics and continued development of its digital platforms throughout the year place Sleep Country in a strong position to have a rebound performance in 2023.

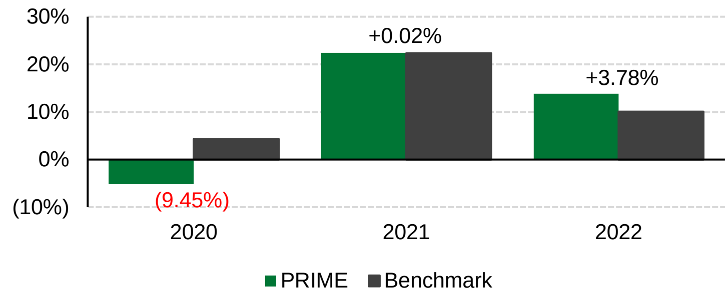
Consumer Staples

Portfolio Weighting: 4.51%

Annual Return: 13.86%

Manager(s): Hania Belal

Analyst(s): Adam Jamal



The Consumer Staples sector returned 13.86% over 2022, outperforming the benchmark by 3.78%. The sector accounted for 4.51% of the PRIME portfolio over the year, 0.52% overweight relative to the S&P/TSX Composite Index. Through 2022, we maintained an overweight position in the Staples sector given its resilient and non-cyclical nature that proved to be important through an uncertain environment. We maintain conviction in all our holdings in the sector, but may soon find it opportune to capitalize on some of the strong unrealized gains built up over the past two years. Moving forward, we would like to increase our overweight position in the sector with a more diversified name to allow for further growth opportunities in any forthcoming recovery.

The sector's top performer for the year was Loblaw (TSX: L), returning 17.09%. Throughout the year, Loblaw faced challenges with rising costs from suppliers. In March, Loblaw faced a price dispute with large snack-food producer Frito-Lay, stalling shipments to Loblaw retail locations for over a month. After an agreement between the two companies was reached, Loblaw raised product prices to maintain margins. This was a trend seen across all products throughout the year. Given its nature as an essential retailer, Loblaw held significant pricing power to maintain margins as supply costs increased with inflation. The strong pricing power reassured investors of Loblaw's ability to pass off inflated costs to consumers. To help consumers, Loblaw announced a price freeze in mid-October on all No Name products until the end of January 2023. Given the stability of its cash flows and significant pricing power, we believe Loblaw is well-positioned to sustain any further fluctuations in inflation. In 2023, we will closely monitor the ongoing Competition Bureau investigations within the grocery industry for raising prices throughout the year.

Alimentation Couche-Tard (TSX: ATD) returned 13.20% over the year. Couche-Tard started the year by acquiring 19 stores in New Mexico and nine stores in Ireland, signalling its continued commitment to inorganic growth. Couche-Tard also made several moves to diversify its revenue sources this year. Key decisions included introducing a new line of food-retail products, acquiring 65 True Blue Car Wash locations across the U.S., and expanding its EV-charging capabilities across the U.S. and Europe. Despite decreasing consumer spending, Couche-Tard's revenues remained relatively resilient, given the high demand for road fuel. The merchandise segment benefited greatly this year as the already-strong margins improved due to its pricing power and ability to pass off inflated costs to customers. Moving forward, we maintain firm conviction in Couche-Tard, given the consistent demand for road fuel. Furthermore, Couche-Tard's strategic decisions to diversify its revenue source provide significant future growth potential.

Jamieson Wellness (TSX: JWEL) returned 2.09% since March 24, 2022, when the PRIME Fund entered a position in the company. In June, Jamieson announced a $265 million acquisition of the premium brand Nutrawise Health & Beauty Corporation. The brand's product line of drinkable supplements provides strong diversification for Jamieson's portfolio. The acquisition also sparked Jamieson's international expansion, as seen by Nutrawise products entering the U.S., Chinese, and Japanese markets. Jamieson also benefited from the growing demand for the vitamin and mineral supplement (VMS) industry throughout the year. Due to the raised concerns for personal health sparked by the COVID-19 pandemic, consumers looked to VMS products to improve their health. We believe the increased demand for the VMS industry will be long-lasting, translating into strong future financial results. Additionally, Jamieson's commitment to expanding through acquisitions and entering international markets provides significant growth opportunities.

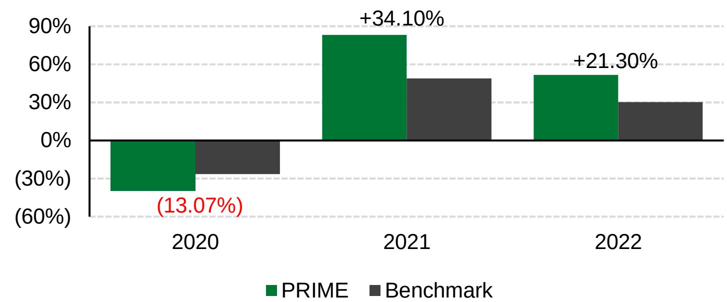
Energy

Portfolio Weighting: 17.11%

Annual Return: 51.57%

Manager(s): Ria Agarwal, Liam Martindale

Analyst(s): Evan Brassard, Claire Dobson



The Energy sector returned 51.57% in 2022, outperforming the S&P/TSX Composite Index by 21.30%. The sector accounted for 17.11% of the portfolio over 2022 and was underweight by 0.36% relative to the benchmark. Entering 2022 the sector was overweight in response to higher oil and gas prices globally, stemming from the Russo-Ukrainian war. Additionally, with COVID-19 infections declining, increased travel and economic activity drove greater demand for oil and gas. In 2023, the energy sector will stay underweight as industrial and economic outlooks worsen with continued inflation, making the prospects of the commodity-driven energy sector unclear.

Enerplus (TSX: ERF) was the best performer in the sector, returning 81.28% in 2022. Strong operational and commodity price performance throughout the year, coupled with strategic divestments from its Canadian assets, drove Enerplus's excellent performance. Through Q3-Q4, Enerplus fully divested all of its Canadian assets, thus, focusing on its U.S. operations in the Bakken and Marcellus and alleviating them of Canadian commodity price differentials. Proceeds from the sale were put towards debt reduction and shareholder returns. Due to its rigs under contract being well below current market pricing, and the Dakota Access Pipeline capacity increase fostering stronger pricing, Enerplus was able to mitigate losses from extreme weather conditions and inflationary pressures. Furthermore, Enerplus continues to increase value for shareholders. Most recently, in Q3, it raised its dividend by 10% and its return of capital commitment to $425 million or at least 60% of FCF through 2023. We are confident in our position with Enerplus as it offers us geographical exposure to U.S. pricing, commodity diversification, and continued shareholder value creation.

Cenovus Energy (TSX: CVE) returned 72.43% in 2022. Operationally, Cenovus delivered strong results in all segments of the value chain throughout 2022, bolstering shareholder confidence and contributing to its impressive annual return. Cenovus' shares fell slightly in the latter half of the year as a result of weak WCS prices, the shutdown of the Keystone pipeline, and a fire at its Toledo refinery. The aforementioned upsets were offset by its announcements to purchase the remaining interest in both the Sunrise oil sands project and the Toledo refinery as well as its announcement that it is restarting the White Rose Project in 2023. These announcements contributed to Cenovus' return as they indicated strong future prospects. Additionally, Cenovus increased its production and throughput guidance for 2023 by 10% and 28%, respectively, showing its intent to carry its strong operational results from 2022 into 2023, further bolstering investor confidence. As Cenovus plans to improve and expand its operations in 2023, it has also been increasing returns to shareholders via share buybacks and by the tripling of its dividend. Due to its strong future prospects in the short and long term, we expect Cenovus to continue to perform well in 2023.

Canadian Natural Resources Ltd. (TSX: CNQ) returned 49.76% in 2022. Along with the other integrated companies in Energy, CNRL prospered in the high commodity price environment, reporting record earnings throughout the year. Despite seeing increased production costs and decreased crude oil and NGL production due to turnaround activities in Q1, CNRL recovered in the remainder of the year via strategic, smaller-scale acquisitions and record production and profit, bolstering investor confidence. As a result of its strong earnings, CNRL turned to increasing shareholder returns via a special dividend of $1.50 per share in August and by increasing its quarterly dividend by 13% at the end of the year. The dividend increase is not unusual as CNRL has been increasing its dividend annually for 23 years, but it does indicate to shareholders that the company is maintaining its sustainable business model which allows for the continuation of these dividend increases into the future. Moving forward, we are confident in CNRL's ability to continue its strong performance because of its sustainable business model, low-decline assets, and strong balance sheet.

SECTOR COMMENTARY

Suncor (TSX: SU) returned 41.70% in 2022. The surge in commodity prices allowed Suncor to thrive in 2022, although the company still lagged behind its integrated Canadian and U.S. peers. Q1-Q2 saw share price appreciation from Suncor with robust Oil Sands performance, record return to shareholders of $3.2B, and activist stakeholder Elliott Management theorizing that Suncor could unlock $30B in value for shareholders. However, in Q3, CEO Mark Little stepped down after yet another fatality occurred on a Suncor site, the thirteenth since 2014. Notably, in Q4, Suncor increased its share in the Fort Hills project to ~69% for ~C$1B as part of its Base Plant mine replacement project. Moreover, Suncor revealed it would be keeping its downstream (Petro-Canada) segment which acts as a hedge in a low price environment and laid out its Fort Hills operations plans to migrate away from the South pit. Granted, this is a capital-intensive project, leading to potential cost overruns, and reduced production in the mid-term. Suncor is using its historical expertise to double down on the Oil Sands, selling its offshore E&P and renewables assets, and retaining its retail segment. Nonetheless, troubled company culture, underperformance compared to peers, heavy crude discounts, and increased cost and reduced production in the mid-term are forcing us to reevaluate our position.

ARC Resources (TSX: ARX) returned 24.85% since the PRIME Fund entered a position in Q1. Annual average production, net income, funds from operations, and free funds flow were the highest in ARC's history, fueled by favourable commodity pricing and operational excellence. Through market diversification, ARC had a realized price on its natural gas which was $2.69/MMBtu higher than the average AECO 7A Monthly Index price for 2022. Additionally, ARC announced in Q2, a 15-year-long natural gas supply deal with Cheniere, providing 140,000 MMBtu/d of natural gas. The deal would yield advantageous LNG-linked prices for ARC's gas starting around 2027. However, in Q4, news regarding Tourmaline and Kelt cutting production due to poor AECO pricing signalled to shareholders that Canadian natural gas-weighted firms such as ARC may continue to face depressed prices, with limited Canadian pipeline capacity and exporting options. ARC is the third largest producer of natural gas in Canada, positioning itself advantageously for the inevitable energy transition, while demonstrating operational consistency and improvement, reaffirming our conviction on the holding moving forward.

Secure Energy (TSX: SES) returned 36.11% over the year. Secure performed well in 2022 as it benefitted from high commodity prices and increased industry activity. Its strong return can also be attributed to the synergies it experienced as a result of the 2021 Tervita acquisition. In Q3, Secure surpassed its cost synergies target of $75 million, allowing the company to use the spare FCF to strengthen its balance sheet. As a result, Secure reached its total debt target ahead of schedule. After reaching its cost synergy and total debt targets, Secure increased its annual dividend 12 times from $0.03 to $0.40 and announced the application of a normal course issuer bid, bolstering shareholder confidence as this indicates Secure is now focusing on increasing shareholder returns. Management indicated in its Q3 report that it intends to further increase returns to shareholders in 2023 once it meets its next total debt targets. As a result of having now achieved its target cost synergies, we maintain conviction in Secure moving into 2023 as it will benefit from ESG tailwinds on the environmental services side of its business and will maintain shareholder confidence through its efficient capital framework.

Keyera (TSX: KEY) was the second worst performer in the Energy sector with a return of 10.52%. Due to a revenue structure based on fee-for-service contracts, Keyera did not benefit from the strong commodity environment as much as its upstream peers. Nevertheless, Keyera reported good results throughout the year as a result of favourable industry conditions and the announcement of promising projects. For example, Keyera's agreement with CN to evaluate a joint clean energy terminal in Alberta's Industrial Heartland and its definitive agreement to increase interest in the Keyera Fort Saskatchewan (KFS) complex bolstered returns. Increased interest in the KFS provides Keyera with additional fractionation capacity that could be leveraged in Key Access Pipeline System (KAPS) contracts and further integrates its assets. These announcements cushioned the reaction of investors to increased costs related to the KAPS. KAPS-related costs have continuously increased since it was first announced, and we have yet to see if there will be another adjustment made in 2023 as the project reaches completion in Q1/23. Aside from creeping KAPS costs, Keyera's growing infrastructure network allows us to believe Keyera will continue to deliver strong returns.

TC Energy (TSX: TRP) was the worst performer in the Energy sector this year, returning -2.78% in 2022. TC started the year off strong with the NGTL system transporting an average volume of 14.2 Bcf/d, the highest since 2000. However, poor performance in Q2 from core pipeline segments dragged its share price. In Q3, TC continued to face struggles as the Keystone pipeline faced struggles, Coastal GasLink costs soared 70% to C$11.2B, and maintenance on the NGTL system caused reduced flow volumes. Unfortunately, in Q4, the Keystone pipeline was forced to shut down after an oil spill of 12,937 bbl. Not only did the event garner negative press, but also reduced flow volumes, triggered clean-up costs, and forced Keystone to no longer operate at such a high average pipeline pressure. While 2022 has been turbulent for TC, especially with cost overruns, we still maintain conviction as it continues to raise capital and is prepared to sell C$5B in assets for funding towards the construction of its Mexican pipeline. This is potentially an accretive play as Mexico offers a more pipeline-friendly regulatory environment. Additionally, with ~90% of revenue stemming from long-term contracts, and projects aligning with the energy transition, we expect TC to move past these headwinds and experience strong performance.

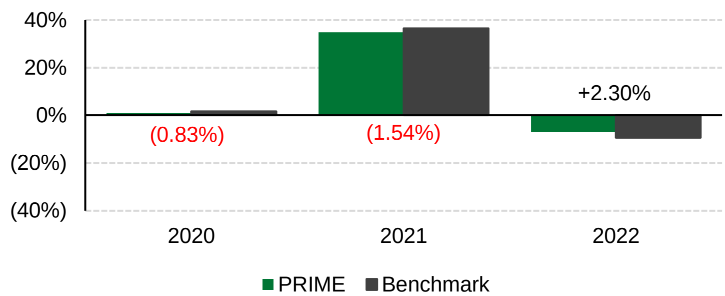
Financials

Portfolio Weighting: 31.36%

Annual Return: -7.10%

Manager(s): John Cleiren, Madison Randhawa

Analyst(s): Matthew LaFrance, Ryan Pfriem



The Financials sector comprised 31.36% of the PRIME portfolio over the year, 0.35% underweight relative to the S&P/TSX Composite Financials weighting of 31.71%. Over 2022, our holdings outperformed the benchmark by 2.30%, returning -7.10%. The Financials sector was underweight entering 2022, due to an unfavorable macroeconomic environment. In anticipation of rising interest rates and heightened inflation, an overweight position within Financials was allocated to the Insurance sub-sector. Our Insurance holdings were positioned to adapt to inflationary pressures by adjusting premiums, while at the same time capitalizing on higher rates of return on invested excess cash flows. Moving into 2023, the Financials sector intends to remain overweight, particularly in the Banking sub-sector. We are seeking to shift weight from the Insurance to the Banking sub-sector given our expectation that the current high interest rate environment will persist into 2024. We expect economic growth to stall throughout 2023 and pick up in 2024. Thereafter, we expect rates to ease, leading to growth in the economy and simultaneous growth in the demand for loans. All of the aforementioned factors we expect to be favourable for Banking stocks.

Definity (TSX: DFY) was the top performer among Financials and Insurance holdings, returning 22.24% while continuing its rapid growth in written premiums and net income. Gross written premiums (GWP) grew 12%, with Personal lines growing at 10% and Commercial lines growing at 18%. Underwriting income was reduced by $2.2 million, producing a combined ratio 100 bps higher at 94.1%. Net income increased by 18% for a total of $213.2 million, partially due to a revaluation gain from an investment in McDougall, in addition to higher net investment income aided by higher interest rates. Sonnet Personal lines of insurance increased by 13% continuing its trend from last year. Personal Auto lines of insurance experienced lower favourable prior year claims developments, while also experiencing a higher core accident year claims ratio. Inflationary cost pressures associated with physical damage coverage notably increased claim costs. Personal Property lines also experienced increases in the core year accident claims ratio. Definity improved the combined ratio on Commercial lines to 90.3%, compared to 91.0% in 2021. Improvements in prior year claim development also contributed to better underwriting profitability but were partially offset by catastrophe losses. Definity's GWP growth continues to outpace adverse effects relating to catastrophe losses and inflated expenses, solidifying its positioning as a premier growth name.

SECTOR COMMENTARY

Intact Financial (TSX: IFC) was the second-best performing insurance holding, returning 21.07% while continuing to leverage its scale as Canada's largest P&C insurer. GWP grew 23%, with management attributing much of this growth to the RSA acquisition. The combined ratio also improved to 91.5%, improving 3.7% from the year prior. The operating ratio of Intact's Canadian segment mildly deteriorated to 90.5%, worsening 3.8%. Net income improved despite elevated catastrophe losses and inflation, highlighting Intact's effective premium pricing due to its large market share. Recent progress on the RSA integration contributed to 16% of net income per share with net income totalling $2.4 billion, up 14% Y/Y. Intact also repurchased and cancelled 824,990 common shares for approximately $150 million under its normal course issuer bid program, which allows for the repurchase and cancellation of up to 5,282,458 common shares until February 15, 2023. Operating net investment income increased 27% Y/Y due to higher reinvestment yields in a higher interest rate environment. The scale and growth of Intact's core P&C business continue to enable Intact to outperform its peers, improving operating ratios as a whole and net income despite a higher cost environment.

TD (TSX: TD) was the top performer among banks, returning -5.97%. TD's most recent results further cement its presence as a premier retail bank, continuing to drive outperformance even in difficult macro environments. In August 2022, TD entered an agreement to purchase Cowen Inc. for $1.3 billion, significantly expanding Equity Research coverage and Investment Banking services in the United States. The deal is expected to close early 2023 and have a neutral impact on TD's CET1 ratio. A strong focus on Retail Banking, with 92% of earnings coming from the segment, led to TD's outperformance in 2022. Reported net income for the year was up 22% Y/Y, totalling $17.43 billion, reflecting higher interest income and gains on the sale of Schwab shares, which were partially offset by higher non-interest expenses and higher PCL. Net interest income increased 13% Y/Y, reflecting the increase in rates during 2022, in addition to loan growth in Personal and Commercial Banking businesses. Net Interest Margin increased 13 bps, to 1.69% at year-end, reflecting higher deposit volumes and a higher rate environment. Non-interest income totalled $21.68 billion, up 17% Y/Y and primarily reflected the net gain from mitigation of interest rate volatility to closing capital on the First Horizon acquisition, in addition to the gain in the sale of Schwabb shares. PCL were up substantially over the year, totalling $1.44 billion compared to a recovery of $224 million last year, reflecting worsening credit. TD also improved its efficiency ratio 38 bps to 50.30%. An outsized retail component and the resulting revenues will continue to anchor TD for coming macro uncertainty, providing an edge over its peers.

BMO (TSX: BMO) was the second-best performer among bank holdings, returning -6.19% hampered by lower Capital Markets revenue, shrinking to a 19% contribution to net income for 2022. Reported net income totalled $13.54 billion, up 75% Y/Y, however, adjusted net income (excl. Bank of the West acquisition) was $9.04 billion, up 4% Y/Y. This increase was driven by fair value adjustments, while core earnings were driven by higher net revenue on deposits and loans, partially offset by higher PCL. Canadian P&C led all segments in net income growth while also experiencing a reduction in PCL. Net interest income increased 11% to $1.58 billion, with adjusted net interest income (excl. Bank of the West) increasing 14%. Net interest margin increased 3 bps, totalling 1.62% at year-end reflecting higher rates. Non-interest income was up 38% Y/Y, while adjusted net interest income (excl. Bank of the West) was down 26% from the year prior due to divestitures reducing mutual fund revenue, investment management and custodial fee revenue, and lower security gains. The adjusted efficiency ratio improved by 70 bps to 55.80%. PCL increased to $313 million from $20 million last year reflecting a deteriorating macroeconomic outlook. As Capital Markets conditions normalize, BMO will likely regain a higher contribution from this segment, complementing strong retail earnings driven by organic growth and accretive acquisitions.

Sun Life Financial (TSX: SLF) was the worst performer among Insurance holdings, returning -6.69% due to poor performance in Asian Asset Management and DentaQuest legal and labour costs. Net income totalled $3.06 billion, a 22% decline from 2021. Falls in global equity markets and a higher effective tax rate compared to the previous year produced lower AUM for Wealth and Asset Management, contributing to this decline. Among the net Asset Management outflows of $12.6 billion, $16.1 billion was attributed to MFS Investment Management but was partially offset by SLC Management net inflows of $3.5 billion. Sun Life continued pursuing new bancassurance agreements in Asia, in addition to acquiring Advisors Asset Management Inc., focusing on high-net-worth retail distribution under SLC Management. A strategic relationship with Phoenix Group was established as part of Sun Life's plan to divest from its U.K. Business. Sun Life's Asian segment reported net income of $98 million, a decrease of 78% from the prior year, reflecting unfavourable market-related impacts and a prior-year gain from the IPO of its India Asset Management joint venture. While Sun Life's Asian segment provides access to a faster pace of future growth than peers limited to North America, this exposure also weighed on performance when regional macro trends produced substantial headwinds.

Scotiabank (TSX: BNS) was the worst-performing bank, returning -22.86% due to underperforming expectations in Latin American markets as well as concern over credit risk in these countries. Scotiabank originally entered Latin America for its attractive growth opportunities, however, it has failed to reach key objectives on its strategic growth relative to other major banks. Scotiabank struggled in 2022, with missed growth targets, and significantly elevated PCL in its Latin American segments. Net income increased by 2% to $10.17 billion, because of higher net interest income and lower net provision for credit losses and income taxes. Net interest income increased by 7%, driven by loan growth and higher margins across all business lines, although it was negatively impacted by higher funding costs and negative effects on foreign currency translation. Non-interest income decreased by 7%, due to lower trading revenues, investment gains, and underwriting and advisory fees, in addition to unrealized losses on non-trading derivatives. Wealth Management and Underwriting and Advisory fees were down 1% and 25%, respectively, on slower Capital Markets activity and poor market performance. PCL decreased 24.0% on account of lower provisions for impaired loans across all business lines, partially offset by lower reversal of provisions for credit losses on performing loans. While 2022 results were not inherently alarming, investors continue to view geopolitical and economic uncertainty as headwinds for Scotiabank, driving its underperformance during the year. Interest rates and the resulting net interest margin may have already peaked in 2022, limiting the upside to international exposure and creating notable downside risk in the event of a recession.

The second worst performer within Financials was Canaccord (TSX: CF) with a return of -27.24% since a position was entered by the PRIME Fund in the first quarter of 2022. Canaccord faced a challenging business environment which impacted underwriting volumes and slowed M&A completions, resulting in more transactions being carried forward. However, revenue excluding significant items remained consistent with the most recent fiscal quarter, signalling a recovering outlook. Canaccord's Global Wealth Management business was a particularly bright spot, with total client assets at $94.4 billion, a 6.5% increase compared to the previous quarter, primarily driven by acquisitions in the UK & Crown Dependencies. Recently, Canaccord signed a deal to acquire Mercer Global Investments and its asset base worth approximately $1.5 billion, which further expands Canaccord's Canadian Private Wealth business. Unfortunately, reduced levels of Underwriting and Investment Banking activity resulted in a non-cash goodwill and intangible assets impairment charge of $102.6 million related to Canaccord's Canadian Capital Markets segment. Canaccord expects continued instability in its Capital Markets segment until there is greater certainty regarding the outlook for inflation, interest rates, and the broader economy. Despite current headwinds and the macroeconomic environment, we remain confident in Canaccord's ability to position itself for future success.

Onex (TSX: ONEX) had the worst performance within Financials holdings this year, with a return of -33.89%. This reflected a turbulent investing environment, as well as macroeconomic headwinds to Onex's current holdings. During the year, Gerry Schwartz, now 81 years old, stepped down as the CEO of the company in 2022 but will remain Chairman of Onex. Schwartz's role will be filled by Bobby Le Blanc, who has spent 23 years with Onex. Despite the difficulties faced by Onex, the company remains well above its target investment level of 75%, while ensuring adequate liquidity to take advantage of market cycles. During the year, Onex's private equity investment announced the completion of the previously announced sale of Partou as well as partial realizations of Advanced Integration Technology and Ryan LLC. Onex's most notable investments in 2022 include partnerships with Ideal Dental, Merrithew in ONCAP Fund IV, Analytic Partners, Resource Environmental Solutions, and Tes Global in ONCAP Fund V. In 2022, Onex's portfolio performed relatively well compared to public market benchmarks such as the S&P 500 and MSCI World indices, portfolio losses were contained well within guidance. Onex repurchased 3.5 million Subordinate Voting Shares at a total cost of $174 million during the four months ended October 31, 2022, bringing the total number of shares repurchased in the ten months ended October 31, 2022 to 4.7 million. In spite of adverse conditions, Onex's long-term investing strategy and secure balance sheet provide exceptional future growth opportunities due to the current discount of Onex's share price to its NAV per share.

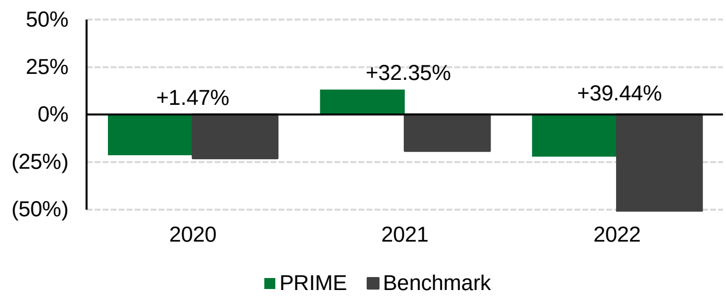
Health Care

Portfolio Weighting: 0.63%

Annual Return: -22.15%

Manager(s): Hania Belal

Analyst(s): Adam Jamal



The Health Care sector accounted for 0.63% of the PRIME portfolio, 0.13% overweight relative to the S&P/TSX Composite index over the year. Our senior living holding was positioned to capitalize on a post-COVID recovery through 2022 and remain severed from the pharmaceutical and cannabis industries that experienced further volatility through the year. Looking into 2023, we will be evaluating whether an exit from the sector will be more beneficial for the Fund given the continued struggles in the senior living industry.

Over the year, Sienna Senior Living (TSX: SIA), the PRIME Fund’s only holding in the sector, returned -22.15%, outperforming the benchmark by 39.44%. Sienna started the year with multiple acquisitions, acquiring 50% of Extendicare Inc.'s $307.5 million portfolio and 50% of the Stonebridge retirement residence for $36 million to enter the Saskatchewan market. Sienna also completed a $26 million acquisition of the Wood Park Care Centre to capture a larger portion of the Ontario demand for long-term care (LTC) facilities. Throughout the year, the LTC industry struggled with labour shortages. Workers in the sector faced burnout after the COVID-19 pandemic and required higher wages and additional support. The labour shortages created concerns surrounding the inability to fulfil demand and the industry's profitability for investors. Despite these concerns, Sienna saw its occupancy rate rise to 87.1%, comparable to pre-pandemic levels. The continued increase in occupancy and Sienna’s inorganic expansion efforts provide optimism about its ability to recover from the COVID-19 pandemic and capitalize on the growing demand for the industry. Throughout 2023, we will closely monitor the labour shortage and profitability concerns for the industry.

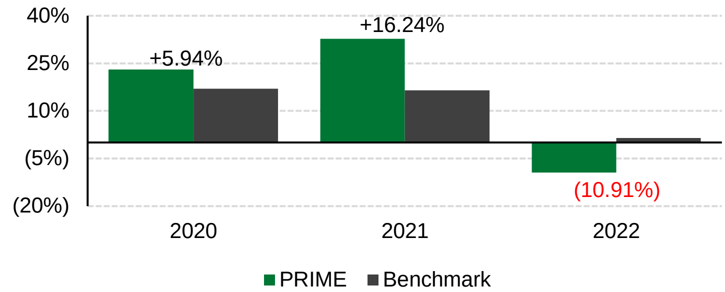
Industrials

Portfolio Weighting: 12.05%

Annual Return: -9.47%

Manager(s): Jake Kim

Analyst(s): Jacob Hatch



The Industrials sector made up 12.05% of the PRIME portfolio and was underweight by 0.26% compared to the benchmark in 2022. The sector returned -9.47% this year, underperforming the benchmark by 10.91%. The sector went underweight in 2022 due to a recessionary outlook for the year and fear of underperformance relative to the portfolio. Going into 2023 the Industrials sector will look to approach market weight as the sector looks to add balance through a defensive name.

Canadian National Railway (TSX: CNR) rose by 5.46% this year. CN continued to drive growth throughout the year in the face of a deteriorating macroeconomic backdrop, with revenues up 18% Y/Y on freight rate increases, fuel surcharges, and a weaker Canadian dollar. CN's operating ratio for the year improved by 1.2% to 60% as scheduled railroading adoption increased, improving dwell times, asset utilization, fuel efficiency and car velocity. This operating margin was second only to CSX Corp. for all other Class-1 railways in North America and reflects the ability of CN to use its pricing power to drive profitability through its relatively superior operating leverage. Grain volumes exported from Canada were low for H1 2022 but this course reversed in H2 with record numbers transported in the month of October. US grain volumes were also strong for 2022, driving top-line growth for CN via freight volume and should be expected to continue into H1 2023. In 2022, supply chain congestion lowered intermodal volumes from the port of Vancouver but was balanced by high coal exports, as two Canadian mines reopened and foreign demand for coal persisted. Based on CN's solid track record of consistent growth and superior pricing power, we hold it to be more than capable of performing in an economic downturn.

WSP Global (TSX: WSP) returned -13.61% this year. This depreciation in share price is largely attributable to a 32% decline Y/Y in cash from operations, as net revenue growth has consistently fallen post-Q1. Conversely, organic backlog growth for all reported segments has continued to strengthen, growing 15.2% Y/Y, which accounts for 12.3 months of revenues. WSP made significant headway this year in its strategic repositioning to build its Earth & Environment sector capabilities, adding 11,215 professionals overall, with 30% being added organically. Sizable acquisitions were made this year, starting with the Environment and Infrastructure business of John Woods Group Plc; though it was not incremental to margins in the EMEIA region, the strategic nature and sizing of the acquisition give WSP a sizable footprint in the specialized environmental consulting market in the region. WSP made further additions to the EMEIA region with Capita REI Ltd. and GL Hearn Ltd., both UK real estate-focused businesses and BG Holding SA, a Switzerland-based firm. These acquisitions empower WSP to enter the Central European market to boost the EMEIA segment's EBITDA margin which lags the average of all other segments by 300bps. We hold WSP with strong conviction as it reorganizes to prioritize its higher-margin environmental services segment.

SECTOR COMMENTARY

ATS Corporation (Formerly ATS Automation Tooling Systems Inc.) (TSX: ATS) returned -16.22% this past year. ATS saw performance this year deteriorate in line with global economic conditions, particularly global supply chain disruptions and cost pressures for electrical components. Despite these headwinds, ATS managed 24% top-line growth Y/Y, attributable to 7.3% organic growth and the accretive effect of recent acquisitions, most notably SP Industries in Q1. Order backlog for the year increased significantly by 45.3% due to 350% Y/Y growth in the transportation market from North American OEM orders for EV battery manufacturing products. ATS saw operating margins grow slightly Y/Y by 80bps, but with longer lead times and input cost pressures this fell below the target 15% margin. Management shows a promising path to achieve this goal via its current cost-optimizing reorganization and margin growth through M&A of higher margin product and services companies. Overall, we maintain a strong conviction in ATS's capabilities to outperform the sector as headwinds subside.

MDA Ltd. (TSX: MDA) returned -40.85% since PRIME entered a position in the stock in early 2022. Poor performance this year can be credited to a lack of ability to convert major work-in-progress contracts to revenues. The major contributing projects to this issue were the Canadian Surface Combatant project and Canadarm3 phase B. When completed, these contracts' revenues would be larger than Q2 and Q3 2022 revenues combined. MDA added the Canadarm3 phase B booking in Q1 2022 and the CSC contract in Q1 2021. Canadarm3 was intended to be completed in 17 months and has only started ramping up in Q3 2022. The CSC had only "modestly" ramped up as of Q3 2022. These delays have been blamed on government regulatory processes, though MDA also faces issues with scaling its operations. Despite this decline, MDA had a record year for commercial contract bookings and backlog, which hit an all-time level at C$1.4B, a 63% Y/Y gain. The Canadian Government announced its plans to rewrite the regulatory framework surrounding commercial space launches; MDA will benefit as it will help foster the domestic space market and allow for a quicker and cheaper rollout for its CHORUS satellite constellation. Despite its recent underperformance, we maintain MDA will rapidly scale once its flagship projects are completed.

SECTOR COMMENTARY

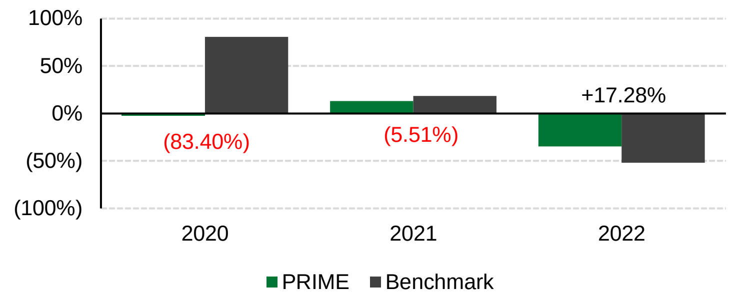
Information Technology

Portfolio Weighting: 5.41%

Annual Return: -34.74%

Manager(s): Theresa Buis, Kent Wang

Analyst(s): Austin Hanlan, Keith Kent



The Information Technology sector made up 5.41% of the PRIME portfolio during the year, 0.68% underweight relative to the S&P/TSX Composite Information Technology sector. Our holdings returned -34.74% in 2022, outperforming the benchmark by 17.28%. At the beginning of 2022, the portfolio had its largest underweight position in the Information Technology sector at -4.54%. Therefore, in 2022 we wanted to focus more on growth by moving toward market weight due to the macroeconomic environment being favourable for growth. The macroeconomic environment included low-interest rates and a large expansion in technology investment driven by COVID-19 as inflation was deemed to be transitory. Additionally, e-commerce was booming during the beginning of 2022 and we wanted to gain exposure to it through pitching Shopify as the technology portfolio prior to rebalancing was more weighted towards value rather than growth. As the economy continues to remain uncertain, we plan to shift our focus to more defensive stocks.

Kinaxis (TSX: KXS) was the top performer for the IT sector, returning -14.33% over 2022. The company continued to benefit from an increased focus on supply chains, stemming from lockdowns in China, the war in Ukraine, and global inflationary pressures. Kinaxis continued to expand its presence over 2022 through a partnership with Google, which made RapidResponse available on Google Cloud. The company also expanded into Asia with a new office in India, and 12 new partnerships with third-party sellers in the region. Kinaxis continues to improve its offerings with the acquisition of MPO for $45 million. MPO's software will integrate with RapidResponse to provide an end-to-end supply chain view for customers – from planning to delivery. Going forward, we believe Kinaxis will continue to generate robust cash flows in 2023 due to high customer retention, an increased global presence, and improved product offerings.

OpenText (TSX: OTEX) returned -31.37% over the year. Much of this performance can be attributed to overall market sentiment as the Bank of Canada hiked rates in response to high inflation. OpenText continued to grow its annually recurring revenue streams, particularly its cloud services and subscriptions segment, which experienced 16% YoY growth for the quarter ended December 31. However, investors lost confidence in OpenText's outlook following the announcement in August that it would be acquiring Micro Focus International in a $5.8 billion all-cash deal, purchasing the company at a 99% premium. Although acquiring Micro Focus could unlock a potential market of ~$170 billion, investors were still unimpressed as they raised questions regarding the compatibility of incorporating Micro Focus' legacy hardware systems. On the other hand, markets reacted favourably to OpenText's unveiling of Project Titanium in June. Project Titanium is a roadmap detailing OpenText's focus on investing in cloud software, with the intention of strengthening its existing cloud platform delivery capabilities through innovations. Although OpenText had a rocky performance this year, we are still confident in its continued growth, particularly driven by its annually recurring revenue streams. Looking ahead, we continue to hold the view that corporations will purchase software as a service to operate their businesses, rather than building in-house.

Shopify (TSX: SHOP) was the worst performer for the IT sector, returning -48.22% since the PRIME Fund entered a position in Q2. A high-rate environment and overall risk-averse sentiment from investors weighed heavily on Shopify's share price. Additionally, poor earnings reported by the company contributed to the yearly decline. This was a result of slowing growth for e-commerce as consumers moved from goods to experiences following the COVID-19 pandemic. Foreshadowing industry trends later in the year, Shopify reduced its workforce by ~10% in July to cut costs. Throughout the year, Shopify continued to innovate, releasing new products aimed at supporting merchants in different areas of the internet. Notably, Shopify released Audiences and Collabs, both of which are focused on aiding merchants to advertise to new demographics on social media platforms to drive demand. In a step away from its traditional model, Shopify announced the introduction of its new point-of-sale POS Go hardware, which enables merchants to easily carry out transactions and operate its business using hardware attached to a smartphone. In July of 2022, Shopify completed the acquisition of Deliverr, a tech start-up focusing on e-commerce fulfillment services. Deliverr will complement Shopify's already existing Shopify Fulfillment Network, expanding its capabilities to ultimately create end-to-end fulfillment networks. We maintain the conviction that Shopify will continue to scale its existing businesses, capturing value from the growing e-commerce space. Furthermore, we are optimistic about its expansion globally, unlocking new streams of revenue as the world continues its path toward the digital economy.

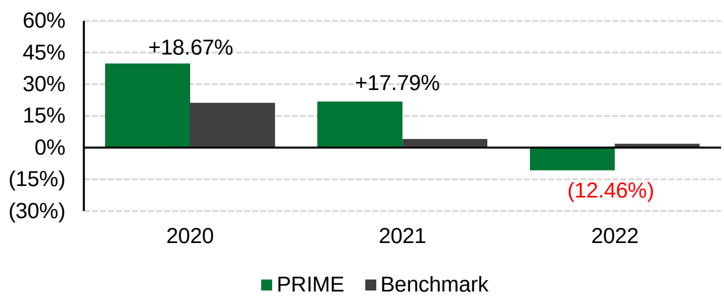
Materials

Portfolio Weighting: 11.80%

Annual Return: -10.69%

Manager(s): Jackson Gylander, Megan McKee

Analyst(s): Sean Robertson, Aditya Sharma



Over 2022 the Materials sector returned -10.69%, underperforming the benchmark by 12.46%. Over the period, the sector comprised 11.80% of the fund, underweight 0.25% relative to the TSX Composite Index. Coming into 2022 the Materials sector was underweight due to concerns about a retraction in sky-high commodity prices from resolving supply chains. Moving into 2023 we expect to keep the sector underweight as recessionary fears and falling industrial order books threaten to further compress commodity prices.

Wheaton Precious Metals Corp. (TSX: WPM) led the Materials sector in performance, recording a return of -1.04% over the year. Despite a volatile year, Wheaton provided the sector with much-needed stability through its diversified mining streams. A strong U.S. dollar and aggressive interest rate hikes by the U.S. Federal Reserve were responsible for gold's poor performance through the third quarter of the year, negatively impacting Wheaton's stock price. Despite this, Q4 saw a reversal for gold prices as market turbulence, rising recession expectations, and a weakening dollar helped push gold prices higher, boosting Wheaton's performance over that quarter. During the third quarter, Wheaton terminated its silver streams in the Keno Hill District as well as in the Yauliyacu Mine. We view this as a strategic move for Wheaton to lower its production costs while simultaneously consolidating its assets and increasing operations at its substantial mines. We continue to hold Wheaton, as we believe it is well-positioned to grow its expansion projects and continue to drive down its costs through a concentrated asset base.

SECTOR COMMENTARY

Ero Copper Corp. (TSX: ERO) was the second-best performer in the Materials sector in 2022, returning -4.90% since the position was entered in the second quarter. Despite Ero's negative return, it outperformed its peers due to its low-cost and record production of both gold and copper during the year. Due to recessionary fears and increased interest rates, copper prices declined about 30% from early 2022 highs. During the year, Ero made a key discovery of a nickel sulfide system in its Curaçá Valley site which further suggests its potential to grow its healthy reserve base. Throughout the year, there was uncertainty regarding Ero's location due to the Brazilian general election and the re-election of Luiz Inácio Lula da Silva. However, post-election, Ero performed well with limited skepticism regarding potential intervention by Lula into the mining space. Looking ahead, we believe that despite Ero's negative performance during 2022, it has strong growth potential and is positioned to capitalize on the forecasted growth in demand for copper due to the energy transition. We continue to hold conviction in Ero due to its low-cost operations and growing reserves that have enabled it to outperform peers and generate positive cash flows despite inflationary pressures as well as depressed commodity prices.

Lundin Mining Corp. (TSX: LUN) returned -11.79% over the year. During 2022, the company was unable to meet consolidated production guidance for copper, gold, and nickel but has a positive production outlook from 2023-2025. During the year, Lundin discovered a new copper-gold deposit near the company's Chapada mine in Brazil. This discovery grew the company's current reserves base but did not fully offset the decrease in reserves at most of its mining assets. Additionally, Lundin experienced a sinkhole near the company's Ojos del Salado operation in Chile which temporarily halted production and resulted in Lundin paying a fine. Lundin was also impacted during the year by elevated production costs and lower commodity prices. In 2022, Lundin successfully closed the acquisition of Josemaria Resources and completed most of the engineering work necessary for the continuation of the project. An additional technical report will be released in the latter half of 2023 that will provide insight into the quality of the site's assets. Considering these factors, we believe Lundin will capitalize on the projected increase in copper prices but has risks associated with its reserve base and expenditures related to the Josemaria project. We maintain our conviction that Lundin is a strong company in the base metals subsector and provides quality exposure to the sector given its long-life mines and established operations.

CCL Industries Inc. (TSX: CCL-B) ended 2022 with a return of -13.36%. Despite the historic positive performance of the Containers and Packaging sub-sector during times of market downturn, a combination of high-interest rates, sustained inflation, and China's continued lockdown depressed CCL's performance during 2022. However, throughout the year, CCL completed five separate acquisitions which highlight its dedication to inorganic and organic growth in different markets. Additionally, it has invested in new forms of technology at its European production facilities to increase energy efficiency and production capacity. CCL's ability to limit costs, expand market share and increase global reach, affirms our belief that it is a dominant figure in the Containers and Packaging sub-sector. Management's successful track record of acquisitions to add to CCL's segments has shown that even during times of market downturn, CCL's diversified revenue generation enables the company to limit losses and continue production to position itself in a way to capitalize on the eventual upswing in demand.

With a return of -17.81%, West Fraser Timber Co. Ltd. (TSX: WFG) was the Materials sector's bottom performer. This performance was primarily driven by a steep decline in lumber prices, caused by higher interest rates put forth by central banks to lower inflation. Elevated interest rates have weakened demand for home renovation projects and housing starts, therefore lowering lumber demand. Given softening lumber demand, West Fraser announced the permanent shutdown of its Fraser Lake and Williams Lake sawmills in August of 2022. This production cut helped West Fraser lower supply and costs in a market where demand for lumber continued to weaken. During the year, West Fraser returned capital to shareholders through share buybacks and a higher dividend. In June, the company announced an increase in their dividend along with completing a US$1.13 billion substantial issuer bid. Despite strong capital returns to shareholders, West Fraser struggled with ongoing inflationary cost pressures and overall slowing demand for many of its key products, driving down its share price over the year. Despite its performance this year, we continue to hold West Fraser as it is a low-cost leader in the Canadian lumber market.

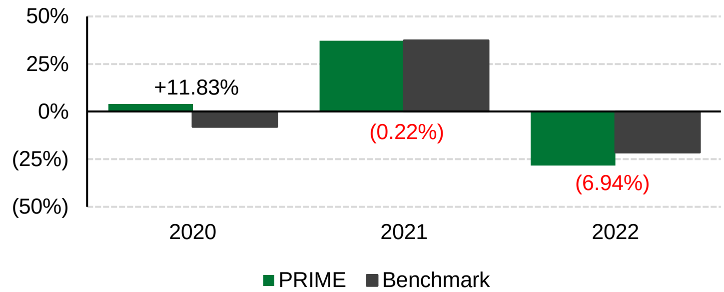
Real Estate

Portfolio Weighting: 2.36%

Annual Return: -28.40%

Manager(s): John Cleiren, Madison Randhawa

Analyst(s): Matthew LaFrance, Ryan Pfriem



The Real Estate sector comprised 2.36% of the PRIME portfolio during the year, 0.34% underweight relative to the S&P/TSX Composite Real Estate Index. The Real Estate sector sought to be underweight in anticipation of rising interest rates and heightened inflation. Rising interest rates are value-destructive for real estate investment companies given the typically-high levels of debt that these firms operate with. In addition, rising interest rates tend to slow down real estate deal activity, which is what we witnessed in 2022. Moving into 2023, we seek to remain underweight or near market weight given our expectation that the current high-interest rate environment will persist into 2024.

Dream Industrial REIT (TSX: DIR) had an annual return of -28.40%, underperforming the benchmark return of -21.46%. In 2022, the company delivered a 10.5% comparative properties NOI growth, exceeding its guidance of above 7% set at the beginning of the year. FFO per unit grew by 9.0%, primarily driven by organic growth while maintaining leverage in the low 30% range. Dream continues to enhance shareholder value through strategic initiatives and acquisitions. Dream Industrial REIT's acquisition of a 10% interest in Summit Industrial REIT doubled its Canadian portfolio and expanded its footprint in Quebec and Ontario. The company's NAV per unit increased by over 12% Y/Y, reflecting Dream's efforts. Although Dream continues to derive value for its shareholders, Real Estate sector demand was overshadowed by monetary tightening and high interest rates, which negatively impacted real estate throughout 2022 by substantially increasing financing costs. Dream Industrial REIT remains focused on sustainability and has published its inaugural Net Zero by 2035 Action Plan. The company scored full marks in Leadership, Policies, Reporting, Targets, and Data Monitoring and Review on its first GRESB real estate assessment submission. Moving forward, we believe that the industrial asset class will relatively outperform other classes of Real Estate due to limited new supply entering the market, paired with increasing demand. Dream is expected to continue to execute strategic initiatives due to the low amount of leverage and strength of the balance sheet. Overall, we remain confident in Dream's strategic alignment and its ability to leverage future opportunities.

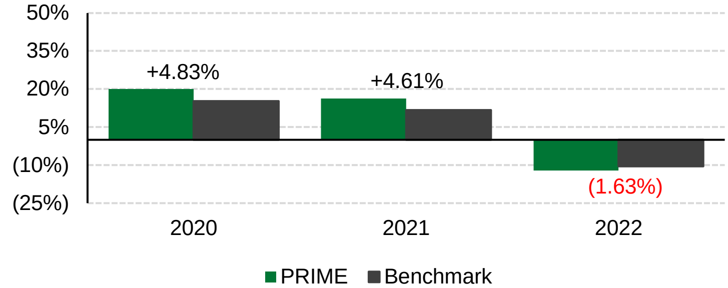
Utilities

Portfolio Weighting: 4.19%

Annual Return: -12.19%

Manager(s): Theresa Buis, Kent Wang

Analyst(s): Austin Hanlan, Keith Kent



The Utilities sector made up 4.19% of the PRIME portfolio, 0.60% underweight relative to the S&P/TSX Composite Utilities sector over 2022. Our holdings returned -12.19%, underperforming the benchmark by 1.63%. At the beginning of 2022, the Utilities portfolio had a slight underweight position, and we decided to remain underweight throughout the year as the sector did not provide the same growth opportunities as the Information Technology sector. Going into 2023, we want to gain exposure to inflation-indexed cash flows and bring the Utilities portfolio up to market weight. We would also like to gain more exposure to renewable energy which has seen significant government stimulus and development despite quantitative tightening.

Northland Power (TSX: NPI) was the strongest performer of the Utilities sector holdings, returning 0.86% in 2022. An elevated interest rate environment hindered the debt-heavy industry. However, investment and legislation from governments around the world in favour of renewable technologies bolstered Northland's performance this year. Northland performed well throughout the year, seeing impressive revenue gains Y/Y because of higher production from its offshore wind assets and the addition of renewable facilities in Spain which were acquired in 2021. However, Northland's late-stage development projects were also heavily impacted by global inflation, as construction materials became more expensive. To decrease its carbon impact, Northland divested two of its high-efficiency natural gas facilities in Ontario. Northland also added to its already robust pipeline of projects, entering several new spaces in December such as the 250 MW Oneida Energy Storage Facility and acquiring a 1.6 GW solar energy portfolio in Alberta currently being developed. A portion of Northland's ownership in the Hai Long project was sold to Gentari in December, though markets remained optimistic as Northland retained majority ownership and continues to control the development and operation of the project. Despite this, Northland retained majority ownership and continues to control the development and operation of the project. With over 15 GW of renewable projects currently being developed, we remain confident in Northland's ability to continue growing its revenues and energy production capacity, as it remains well-positioned to take full advantage of the global shift to renewable energy sources.

Brookfield Infrastructure Partners (TSX: BIP.UN) returned -15.27% over 2022, slightly underperforming the benchmark. The company's revenue grew 25% over the year, primarily due to its inflation-indexed asset base combined with inorganic growth through acquisitions. Midstream FFO grew due to high energy prices and the added contributions from BIP's acquisition of Inter Pipeline, which closed at the end of 2021. Transport FFO benefited from inflationary tariff increases and high trade volumes. Utilities FFO grew due to its inflation-indexed contracts and an increase in its rate base. BIP's Data segment remained unchanged and additional points of presence were offset by foreign exchange losses from its European and Indian operations. During 2022, BIP secured $2.9 billion in investments that will begin contributing to operations this year. Among these projects is the partnership alongside Intel to build a semiconductor fabrication plant in Arizona. BIP will invest up to $15 billion, gaining a 49% stake in the project, which will benefit from the recent US Chips act. Going into a slowing economic environment, we believe that BIP will continue to generate stable cash flows for investors while also benefiting from the push to secure semiconductor supply chains through its Arizona project.

HISTORICAL PERFORMANCE

The Fund seeks to achieve long-term capital appreciation by investing in Canadian equities and is benchmarked against the S&P/TSX Composite Index. Since September 1999, the Fund has outperformed in 13 of the last 23 years, yielding a CAGR of 8.63%. In comparison to the benchmark, the PRIME Fund has outperformed the Index by 2.67% annually since inception.

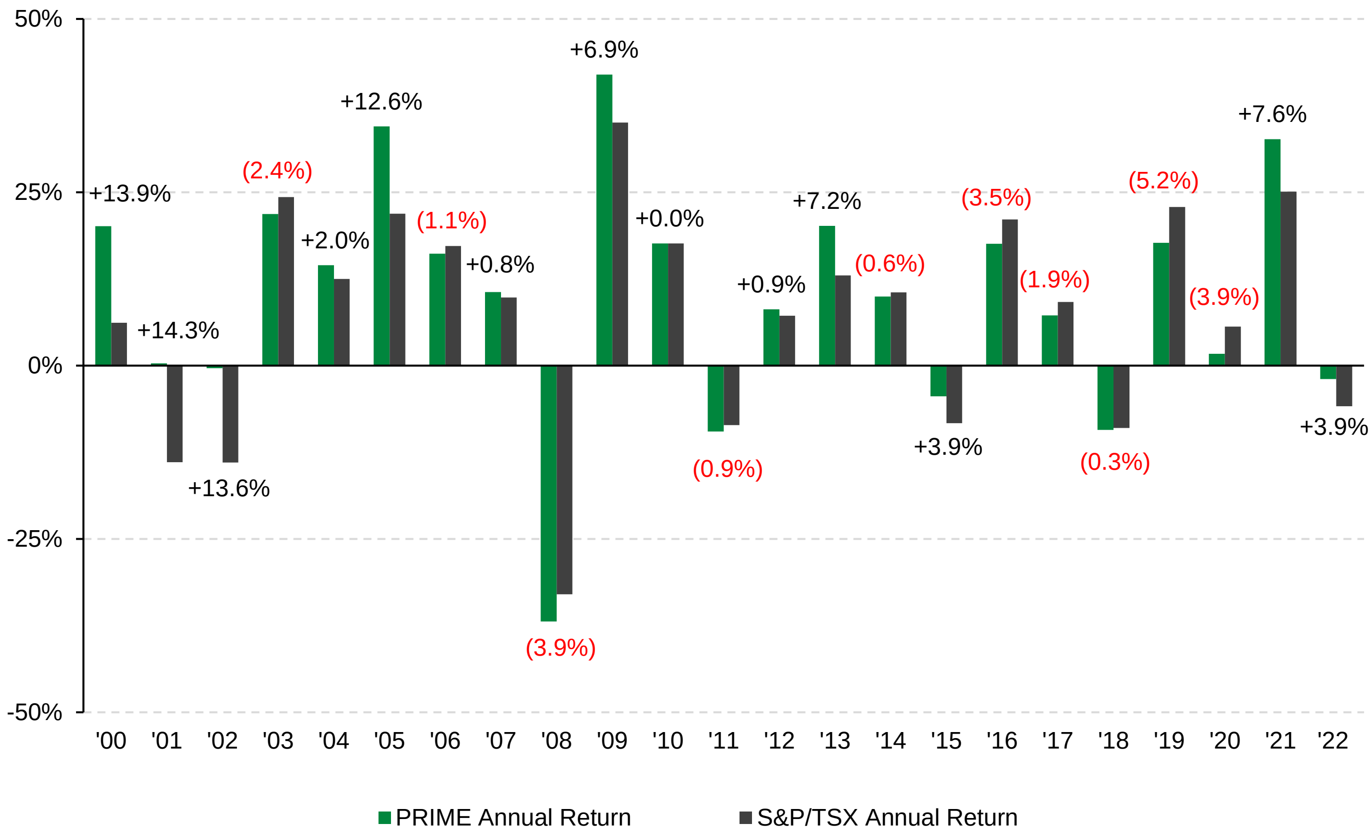


Figure 9 | PRIME Fund performance since inception

	F2013	F2014	F2015	F2016	F2017	F2018	F2019	F2020	F2021	F2022	CAGR	Std. Dev.	Average
PRIME	20.16%	9.98%	(4.42%)	17.59%	7.26%	(9.27%)	17.73%	1.71%	32.67%	(1.94%)	10.47%	13.02%	9.15%
S&P/TSX	12.99%	10.56%	(8.33%)	21.09%	9.19%	(9.00%)	22.88%	5.61%	25.10%	(5.84%)	9.06%	12.78%	8.43%
Relative	7.17%	(0.58%)	3.91%	(3.50%)	(1.93%)	(0.27%)	(5.15%)	(3.90%)	7.57%	3.90%	1.41%	0.24%	0.72%

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 continue to rebalance the portfolio’s holdings to reflect our convictions more accurately. Presently, the Fund has served through the Dotcom bubble, Great Financial Crisis, and most recently the COVID-19 pandemic, each time testing our investment thesis. The Fund continues to look for companies with favourable valuations which adhere to the prescribed GARP mandate. Going forward, we continually look to examine all sectors in the portfolio and their relative weighting to determine which require the most adjustment in order to serve our client best.

FUND ANALYSTS

Communication Services, Information Technology and Utilities

Austin Hanlan

Austin is a third-year Bachelor of Commerce student with a major in Finance and a minor in Accounting; he is also pursuing a Certificate in Sustainability. Austin is one of two analysts for the Information Technology, Communication Services, and Utilities sector. He is excited to work alongside his fellow analysts, managers, and mentors to expand his industry knowledge and further develop his financial analysis skills. This summer, Austin will work as a Summer Analyst at Hugessen Consulting. After graduation, Austin plans to obtain his CFA designation and pursue a career in Consulting. Outside of school, he enjoys playing badminton, kayaking, camping, and spending time with family and friends.

Keith Kent

Keith is a fourth-year Bachelor of Commerce student with a major in Finance working towards a Certificate in Real Estate. He is one of two analysts for the Information Technology, Communication Services, and Utilities sector, and is excited to be learning about portfolio management alongside his fellow analysts. This summer, Keith will work at Credit Suisse as an Investment Banking Summer Analyst. Upon graduation, Keith intends on obtaining his CFA designation and pursuing a career in Capital Markets. In his spare time, he enjoys travelling, watching documentaries, kart racing, and spending time with family and friends.

Consumers and Health Care

Adam Jamal

Adam is a third-year Bachelor of Commerce student with 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 alongside the other analysts, managers, and mentors to expand his knowledge and skills in portfolio management and financial modeling. This summer, Adam will work at RBC Capital Markets as an Investment Banking Summer Analyst. Post-graduation, Adam plans to obtain his CFA designation and pursue a career in Capital Markets. In his spare time, Adam enjoys watching hockey, cooking, travelling, and spending time with friends.

Energy

Evan Brassard

Evan is a third-year Bachelor of Commerce student with a major in Finance. He is one of the two analysts for the Energy sector this year and is looking forward to developing his portfolio management and financial modeling skills further alongside his peers. This summer, Evan will work at BMO Capital Markets as an Investment Banking Summer Analyst. After graduation, he plans to obtain his CFA designation and pursue a career in Capital Markets. In his spare time, he enjoys reading, boating, soccer, football, SpikeBall, and working out.

Claire Dobson

Claire is a third-year Bachelor of Commerce student with a major in Finance. She is one of two analysts in the Energy sector, and she is excited to work with her fellow analysts and managers to increase her industry knowledge and learn more about portfolio management. This summer, she is working as a Summer Investment Banking Analyst at TD Securities. Upon graduation, Claire hopes to pursue a career in Capital Markets and obtain her CFA designation. In her free time, she enjoys going to the gym, playing tennis, reading, and spending time with friends.

FUND ANALYSTS

Financials and Real Estate

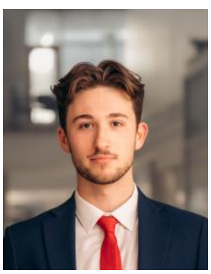
Matthew LaFrance

Matthew is a third-year Bachelor of Commerce student with a major in Finance and a minor in Accounting. As one of two analysts in the Financials and Real Estate sector, Matthew is excited to develop his industry knowledge and financial analysis skills alongside his fellow analysts and managers. This summer, Matthew will work at Stifel FirstEnergy as an Investment Banking Analyst Intern. Upon graduation, Matthew plans to pursue his CFA designation and a career in Finance. Outside of school, Matthew enjoys playing golf, traveling, fishing, and watching baseball.

Ryan Pfriem

Ryan is a fourth-year Bachelor of Commerce student with a specialization in Finance and Accounting. As one of two analysts in the Financials and Real Estate sector, Ryan is excited to enhance his industry knowledge in the Financials and Real Estate sectors alongside his fellow analysts and managers. This summer, Ryan is working at Tudor, Pickering, Holt & Co. in Calgary as a Summer Investment Banking Analyst. Upon graduation, Ryan intends to obtain his CFA designation and pursue a career in Capital Markets. Outside of school, Ryan enjoys playing music and sports with his friends.

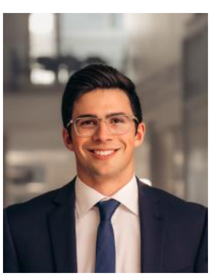
Industrials



Jacob Hatch

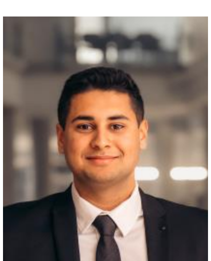
Jacob is a fourth-year Bachelor of Commerce student with a major in Finance and a minor in Economics. He is the analyst for the Industrials sector this year. He is excited to work alongside managers, mentors, and peers within the program to develop his industry knowledge and develop portfolio management skills. This summer, Jacob will work at AIMCo as a Real Estate Financial Operations Summer Analyst. After graduation, Jacob hopes to obtain his CFA designation and pursue a career in capital markets. Outside of school, Jacob enjoys skiing, golfing, and investing.

Materials



Sean Robertson

Sean is a third-year Bachelor of Commerce student with a major in Finance. He is one of two analysts for the Materials sector. He is looking forward to furthering his knowledge of the Materials sector and working with his fellow analysts and managers to develop skills in portfolio management, company valuation as well as equity research. This summer, Sean will work at Bank of America Merrill Lynch as an Investment Banking Summer Analyst. After graduation, he hopes to pursue a career in Capital Markets and obtain the CFA designation. Outside of PRIME, Sean enjoys hiking, travelling, golfing, and skiing.



Aditya Sharma

Aditya is a fourth-year Bachelor of Commerce student with a major in Finance and a minor in Mathematics. He is one of the two analysts for the Materials Sector. Aditya is looking forward to working alongside other analysts to further his knowledge of the Materials sector as well as develop skills in equity research. This summer, Aditya will work at Goldman Sachs as a Global Markets Summer Analyst. After graduation, he hopes to pursue a career in Capital Markets and work towards a CFA designation. Outside of school, Aditya enjoys swimming, investing, hiking, and spending time with family.

FUND MANAGERS

Communication Services, Information Technology and Utilities

Theresa Buis

Theresa is a fourth-year Bachelor of Commerce student with a major in Finance and a minor in Accounting. She is one of the two managers for the Information Technology, Communication Services, and Utilities sector this year. She is looking forward to working with the analysts, fellow managers, and mentors to grow her knowledge of various industries. Theresa worked as an Investment Banking Summer Analyst at BMO Capital Markets in Calgary this past summer and is excited to return post-graduation. She hopes to obtain her CFA designation in the coming years and pursue a career in Capital Markets. Outside of school, she enjoys biking, rowing, doing DIY projects, and eating macarons.

Kent Wang

Kent is a fourth-year Bachelor of Commerce student with a major in Finance. He is one of two managers for the Information Technology, Communication Services, and Utilities sector. He is excited to have the opportunity to work with other fellow analysts and managers in order to develop his portfolio management skills and to learn more about the industry. Kent plans to obtain his CFA designation upon graduation and hopes to pursue a career in research and analytics. Over this past summer Kent worked at Orennia as an analytics intern, a renewables focused startup. In his time off Kent enjoys biking, exercising, fishing, and swimming.

Consumers and Health Care

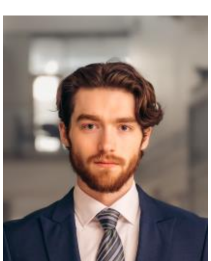
Hania Belal

Hania is a fourth-year Bachelor of Commerce student with a major in Finance and minor in Operations Management. She is the manager for the Consumers and Health Care sector and is excited to work alongside her peers to further develop her portfolio management skills and industry knowledge. This past summer, Hania worked as an Investment Banking Summer Analyst at Tudor, Pickering, Holt & Co. in Calgary, where she is excited to return full-time after graduation. She plans to obtain her CFA designation in the coming years and enjoys learning languages, watching sports, and playing the trombone in her free time.

Energy

Ria Agarwal

Ria is a final-year Bachelor of Commerce student with a major in Finance and a minor in Accounting. She is one of the two managers for the Energy sector and is excited to continue expanding her skills and knowledge in portfolio management while working with her fellow managers and analysts. She plans to obtain a CFA designation in the coming years and pursue a career in Capital Markets. This past summer, Ria worked as a Global Investment Banking Summer Analyst at RBC Capital Markets in Calgary, where she will be returning full-time after graduation. Apart from work and school, she enjoys drawing portraits, baking, and working out.



Liam Martindale

Liam is a fourth-year Bachelor of Commerce student with a major in Finance. He is one of two managers for the Energy sector this year. He looks forward to expanding his knowledge and understanding of the portfolio management craft with a keen focus on Canadian energy equities. Over the past summer, Liam worked as an Investment Banking Summer Analyst at Barclays Capital in Calgary, where he will return post-graduation. When not in school, Liam finds enjoyment in playing the piano, running, and travelling.

FUND MANAGERS

Financials and Real Estate

John Cleiren

John is a fourth-year Bachelor of Commerce student with a specialization in Finance and Accounting working towards a Certificate in Real Estate. As one of two managers in the Financials and Real Estate sector, John is excited to work in a team and develop his skills surrounding analysis, portfolio management, and financial modelling.This past summer, John worked as an Investment Banking Summer Analyst at TD Securities, Calgary. Post-graduation, John plans to pursue his CFA designation and a career in Finance. Outside of school, John enjoys real estate, fashion, skiing, and playing golf, hockey, and basketball with his friends.

Madison Randhawa

Madison is a fourth-year Bachelor of Commerce student with a major in Finance. She is one of two managers for the Financials and Real Estate sector this year. She is looking forward to working alongside the other analysts and managers to develop her industry knowledge and portfolio management skills. This past summer, Madison worked at RBC Capital Markets as a Global Investment Banking Summer Analyst in Calgary, where she will be returning full-time after graduation. Outside of academics, Madison enjoys running, spending time with friends, and travelling.

Industrials

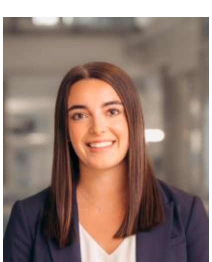
Jake Kim

Jake is a fourth-year Bachelor of Commerce student with a major in Finance. He is the manager for the Industrials sector and is excited to work with his fellow managers and analysts while developing investment analysis and portfolio management skills. This past summer, Jake worked as an Summer Analyst at Hugessen Consulting Inc. in Calgary. Following graduation, Jake plans to obtain his CFA designation and pursue a career in Finance. Outside of school, Jake enjoys football, reading, tennis, and travelling.

Materials

Jackson Gylander

Jackson is a fourth-year Bachelor of Commerce student with a major in Finance. He is one of two managers for the Materials sector. He is excited to work with his fellow managers and new analysts to further his understanding of portfolio management. This past summer, Jackson worked as an Investment & Corporate Banking Summer Analyst with National Bank Financial Markets where he is excited to return following graduation, he also hopes to work towards a CFA designation in the coming years. Outside of school, Jackson enjoys gold panning, hiking, and target & skeet shooting.



Megan McKee

Megan is a fourth-year Bachelor of Commerce student with a major in Finance. She is one of two managers for the Materials sector and is looking forward to working with the other analysts and managers to strengthen her industry knowledge and develop portfolio management skills. This past summer, Megan worked as an Energy Investment Banking Summer Analyst at Tudor, Pickering, Holt & Co., where she is excited to return post-graduation. She aims to obtain her CFA designation and pursue a lifelong career in Capital Markets. In her spare time, Megan enjoys running, watersports, and travelling.

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 200 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: Adroit Investment 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, Dean Kyle Murray, and Associate Dean Leo Wong 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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