2021 ANNUAL REPORT

PRIME INVESTMENT FUND
For the year 2021, the PRIME Fund returned 32.67%, outperforming the S&P/TSX Composite Index by 7.56%.

Since inception, the Fund’s compound annual growth rate is 9.14%, while that of the S&P/TSX Composite Index is 6.53%.
2021 continued providing challenges for the markets; political aspirations and continued health restrictions were a couple of themes that continued through 2021. Health restrictions also meant that the PRIME meetings were mostly on-line reducing the student interactions as well as my interactions with the students. This year’s managers have spent most of their PRIME program learning on-line. The performance this year is a testament to their hard work and the foundation that they were left by previous cohorts.

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

PRIME continues to work with Edmonton Women in Finance, a group of professional women in the finance field, to put on an event for female business students considering a career in finance. In March this year, 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 improve the number of women applying to the program.

The nuts and bolts of PRIME are what they have been since the beginning. That is, a select team of third- and fourth-year Alberta School of Business students that have been tasked with running a Canadian equity portfolio with a long-term horizon. The details in the pages that follow show that, since inception, PRIME’s performance track record has been exemplary. The PRIME Fund earned a total return of 32.67% over 2021, beating the S&P/TSX Index’s total return of 25.10%. 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 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.

Stay safe,

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 discussions and educational seminars on investment topics of interest.

PRIME was established in March 2000 as a joint venture between the University of Alberta’s 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 management and analysis.

The fund has grown over the years and is now valued at just over C$2,200,000. 2021 marked PRIME’s twenty second year and has, to date, close to 200 alumni. The Program Director, Keith Walton, celebrated his fifth year of guiding students through the program and sharing his extensive knowledge of the financial industry.

Photo: 2021/2022 PRIME Team
FUND UPDATE

PRIME Year in Review

Over 2021, the PRIME fund returned 32.67%, outperforming the S&P/TSX Composite by 7.56%. The fund’s outperformance was driven by stock selection attribution of 7.69%, while sector allocation detracted 0.03% from overall performance. Performance was largely led by attribution from Energy, Materials, and Industrials, and this was slightly offset by underperformance across most of the other sectors.

A strong rebound in oil and gas price and production levels from 2020 drove outperformance in the Energy Sector, with Enerplus (TSX: ERF) notably seeing a 240% return and attributing 1.33% to the overall fund performance. Materials also benefited from a rally across commodities as the sector’s exposure to record-high steel and lumber pricing through Stelco (TSX: STLC) and West Fraser (TSX: WFG) drove its outperformance. The Industrials Sector benefited from increased economic activity and capital expenditure flowing towards infrastructure and capital goods. The sector’s outperformance was driven largely by its holdings in WSP Global (TSX: WSP) and ATS Automation (TSX: ATA). Health Care continued to benefit from a lack of exposure to the poor-performing cannabis and pharmaceutical sub-sectors and saw continual development from its sole holding in Sienna Senior Living (TSX: SIA). A strong performance from Brookfield Infrastructure Partners (TSX: BIP.UN) boosted Utilities’ overall returns as the company capitalized on emerging trends in data, transportation, utilities, and midstream segment. Lastly, Consumer Staples saw a slight outperformance through its holding in Loblaws despite inflationary pressures negatively impacting the broader sector.

Despite showing strong returns, the IT Sector underperformed the benchmark due to the fund not holding a position in Shopify (TSX: SHOP), which continued to lead the broader sector’s performance in 2021. Real Estate very narrowly underperformed the benchmark through its sole holding in Dream Industrial REIT (TSX: DIR.UN) due to the lagging growth of Industrial REITs in comparison to Residential and Commercial. Similarly, Communication Services also slightly underperformed the benchmark due to Telus’ (TSX: T) pursuit of capital-intensive growth deterring focus from improving margins within its core segments. Consumer Discretionary holdings struggled through increased inflation and supply chain headwinds. Lastly, a poor performance in the fund’s insurance holdings was a key driver in the Financials sector’s underperformance.

2021 Quarterly Performance

![Figure 1 | PRIME 2021 Quarterly Performance versus S&P/TSX Composite Index](image-url)
Performance Drivers

The PRIME Fund returned 32.67% over the year, outperforming the S&P/TSX’s return of 25.10%. The Energy and Materials 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 ended December 31, 2021.

Figure 2 | 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, 2021

- 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

2021 Performance

Figure 3 | Performance of the PRIME Fund versus the S&P/TSX Composite Index for the year ended December 31, 2021
Performance Overview

PRIME’s performance over the year is outlined below. Stock selection in the Energy, Materials and Industrials sectors, and allocation in the Information Technology and Health Care sectors were the positive attribution contributors.

### Sector Returns

<table>
<thead>
<tr>
<th>Sectors</th>
<th>PRIME</th>
<th>S&amp;P/TSX</th>
<th>+/-</th>
<th>% of PRIME</th>
<th>% of S&amp;P/TSX</th>
<th>Attribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>82.99%</td>
<td>48.89%</td>
<td>34.10%</td>
<td>12.07%</td>
<td>12.55%</td>
<td>3.09% -0.32% 3.41%</td>
</tr>
<tr>
<td>Materials</td>
<td>21.89%</td>
<td>4.10%</td>
<td>17.79%</td>
<td>13.29%</td>
<td>12.10%</td>
<td>2.56% -0.29% 2.86%</td>
</tr>
<tr>
<td>Industrials</td>
<td>32.72%</td>
<td>16.48%</td>
<td>16.24%</td>
<td>12.91%</td>
<td>11.82%</td>
<td>2.14% -0.02% 2.16%</td>
</tr>
<tr>
<td>Health Care</td>
<td>13.19%</td>
<td>-19.16%</td>
<td>32.35%</td>
<td>0.78%</td>
<td>1.23%</td>
<td>0.48% 0.26% 0.22%</td>
</tr>
<tr>
<td>Utilities</td>
<td>16.26%</td>
<td>11.65%</td>
<td>4.61%</td>
<td>4.34%</td>
<td>4.67%</td>
<td>0.27% 0.03% 0.24%</td>
</tr>
<tr>
<td>Consumer Staples</td>
<td>22.42%</td>
<td>22.40%</td>
<td>0.02%</td>
<td>3.84%</td>
<td>3.64%</td>
<td>-0.02% -0.02% 0.00%</td>
</tr>
<tr>
<td>Information Technology</td>
<td>12.96%</td>
<td>18.47%</td>
<td>-5.51%</td>
<td>6.30%</td>
<td>10.84%</td>
<td>-0.02% 0.64% -0.66%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>37.21%</td>
<td>37.43%</td>
<td>-0.22%</td>
<td>2.93%</td>
<td>3.12%</td>
<td>-0.03% -0.03% 0.00%</td>
</tr>
<tr>
<td>Communication Services</td>
<td>23.60%</td>
<td>24.71%</td>
<td>-1.11%</td>
<td>4.44%</td>
<td>4.84%</td>
<td>-0.06% -0.01% -0.06%</td>
</tr>
<tr>
<td>Consumer Discretionary</td>
<td>16.57%</td>
<td>18.45%</td>
<td>-1.88%</td>
<td>3.41%</td>
<td>3.81%</td>
<td>-0.07% -0.02% -0.06%</td>
</tr>
<tr>
<td>Financials</td>
<td>34.96%</td>
<td>36.50%</td>
<td>-1.54%</td>
<td>33.65%</td>
<td>31.38%</td>
<td>-0.21% 0.32% -0.53%</td>
</tr>
<tr>
<td>Cash</td>
<td>-0.13%</td>
<td>0.00%</td>
<td>-0.13%</td>
<td>2.04%</td>
<td>0.00%</td>
<td>-0.58% -0.58% 0.00%</td>
</tr>
</tbody>
</table>

### Weightings

Weightings refer to the average weighting for the year ending December 31, 2021

Figure 4 | Sector attribution and relative sector weighting for the year ending December 31, 2021

### Sector Allocation

The fund held a 2.04% cash position at the end of 2021 and is currently underweight in the following sectors: Real Estate, Utilities, Communication Services, Consumer Discretionary, Health Care, Energy, and Information Technology.

Figure 5 | PRIME Sector Weightings in order of active positions
**FUND UPDATE**

### Key Performers

#### PRIME’s 10 Largest Holdings

<table>
<thead>
<tr>
<th>Company</th>
<th>% of PRIME</th>
<th>% of S&amp;P/TSX</th>
<th>Active Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toronto-Dominion Bank</td>
<td>9.30%</td>
<td>5.42%</td>
<td>3.88%</td>
</tr>
<tr>
<td>Bank of Nova Scotia</td>
<td>6.79%</td>
<td>3.36%</td>
<td>3.43%</td>
</tr>
<tr>
<td>Bank of Montreal</td>
<td>5.56%</td>
<td>2.76%</td>
<td>2.80%</td>
</tr>
<tr>
<td>Canadian National Railway Co.</td>
<td>5.14%</td>
<td>3.45%</td>
<td>1.69%</td>
</tr>
<tr>
<td>Telus Corp.</td>
<td>4.44%</td>
<td>1.30%</td>
<td>3.14%</td>
</tr>
<tr>
<td>Manulife Financial Corp.</td>
<td>4.00%</td>
<td>1.71%</td>
<td>2.29%</td>
</tr>
<tr>
<td>WSP Global Inc.</td>
<td>4.00%</td>
<td>0.37%</td>
<td>3.63%</td>
</tr>
<tr>
<td>West Fraser Timber Co. Ltd.</td>
<td>3.36%</td>
<td>0.27%</td>
<td>3.09%</td>
</tr>
<tr>
<td>Brookfield Infrastructure Partners</td>
<td>3.36%</td>
<td>0.72%</td>
<td>2.64%</td>
</tr>
<tr>
<td>Sun Life Financial Inc.</td>
<td>3.33%</td>
<td>1.35%</td>
<td>1.98%</td>
</tr>
</tbody>
</table>

Figure 6 | PRIME’s Top 10 Relative Weights Versus the Benchmark

#### Top Attribution Contributors

<table>
<thead>
<tr>
<th>Company</th>
<th>Attribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>WSP Global Inc.</td>
<td>1.45%</td>
</tr>
<tr>
<td>West Fraser Timber Co. Ltd.</td>
<td>1.41%</td>
</tr>
<tr>
<td>ATS Automation Tooling Systems Inc.</td>
<td>1.41%</td>
</tr>
<tr>
<td>Enerplus Corp.</td>
<td>1.33%</td>
</tr>
<tr>
<td>Stelco Holdings Inc.</td>
<td>1.23%</td>
</tr>
</tbody>
</table>

#### Bottom Attribution Contributors

<table>
<thead>
<tr>
<th>Company</th>
<th>Attribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manulife Financial Corp.</td>
<td>-0.83%</td>
</tr>
<tr>
<td>Saputo Inc.</td>
<td>-0.72%</td>
</tr>
<tr>
<td>Intact Financial Corp.</td>
<td>-0.69%</td>
</tr>
<tr>
<td>Open Text Corp.</td>
<td>-0.52%</td>
</tr>
<tr>
<td>Lundin Mining Corp.</td>
<td>-0.37%</td>
</tr>
</tbody>
</table>

Figure 7 | PRIME’s Top and Bottom 5 Contributors to Attribution

### Valuation Statistics as at December 31, 2021

<table>
<thead>
<tr>
<th>Metric</th>
<th>PRIME Fund</th>
<th>S&amp;P/TSX</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beta</td>
<td>1.08</td>
<td>1.00</td>
</tr>
<tr>
<td>EV/EBITDA</td>
<td>9.75x</td>
<td>12.36x</td>
</tr>
<tr>
<td>Price to Earnings Ratio (P/E)</td>
<td>14.41x</td>
<td>19.13x</td>
</tr>
<tr>
<td>Price to Book Ratio (P/B)</td>
<td>2.05x</td>
<td>2.13x</td>
</tr>
<tr>
<td>Price to Cash Flow Ratio (P/CF)</td>
<td>9.45x</td>
<td>10.41x</td>
</tr>
<tr>
<td>Dividend Yield</td>
<td>2.72%</td>
<td>2.57%</td>
</tr>
<tr>
<td>Return on Assets</td>
<td>1.73%</td>
<td>1.53%</td>
</tr>
<tr>
<td>Return on Common Equity</td>
<td>15.30%</td>
<td>12.87%</td>
</tr>
</tbody>
</table>

Figure 8 | PRIME’s Key Valuation Metrics – Retrieved from Bloomberg
Trades
During the year, the PRIME Fund entered positions in Restaurants Brands International, TC Energy, Onex Corp., ATS Automation, and Kinaxis. The fund increased its position in Canadian National Railway and CCL Industries Inc., and fully vacated its position in Nutrien and Waste Connections.

New Positions

**Restaurant Brands International**
(TSX: QSR)
Consumer Discretionary

**TC Energy**
(TSX: TRP)
Energy

**Onex**
(TSX: ONEX)
Financials

**ATS Automation**
(TSX: ATA)
Industrials
**FUND UPDATE**

**Kinaxis Inc. (TSX: KXS)**

**ITCU**

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**Trade Summary**

<table>
<thead>
<tr>
<th>PURCHASED</th>
<th>SOLD</th>
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</thead>
<tbody>
<tr>
<td><strong>Consumers &amp; Health Care</strong></td>
<td><img src="image" alt="rbi" /> <img src="image" alt="DOLLARAMA" /> *</td>
</tr>
<tr>
<td><strong>Energy</strong></td>
<td><img src="image" alt="TC Energy" /> <img src="image" alt="Suncor" /> <img src="image" alt="Cenovus" /> <img src="image" alt="Canadian Natural" /></td>
</tr>
<tr>
<td><strong>Financials &amp; Real Estate</strong></td>
<td><img src="image" alt="ONEX" /> <img src="image" alt="Manulife" /> <img src="image" alt="Scotiabank" /> <img src="image" alt="BMO" /></td>
</tr>
<tr>
<td><strong>Industrials</strong></td>
<td><img src="image" alt="ATS" /> <img src="image" alt="CN" /></td>
</tr>
<tr>
<td><strong>Info Tech, Comm. Services &amp; Utilities</strong></td>
<td><img src="image" alt="Kinaxis" /> <img src="image" alt="CGI" /> *</td>
</tr>
<tr>
<td><strong>Materials</strong></td>
<td><img src="image" alt="CCL" /> <img src="image" alt="Nutrien" /> <img src="image" alt="STELCO" /> *</td>
</tr>
</tbody>
</table>

---

Figure 9 | PRIME’s purchase price and date for new holdings during the year

Figure 10 | Trade summary and rebalancing

*Represents a change in position or rebalance of sector holdings
## Fund Update

### Prime Portfolio as at December 31, 2021

<table>
<thead>
<tr>
<th>Company</th>
<th>Shares</th>
<th>Market Value</th>
<th>Market Price</th>
<th>Weight</th>
<th>Book Value</th>
<th>Unrealized Gains/Losses</th>
<th>Currency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telus Corp.</td>
<td>3,214</td>
<td>$95,745.06</td>
<td>$29.79</td>
<td>4.37%</td>
<td>$67,950.23</td>
<td>$27,794.83</td>
<td>CAD</td>
</tr>
<tr>
<td><strong>Communication Services</strong></td>
<td><strong>Underweight</strong></td>
<td><strong>Consumer Discretionary</strong></td>
<td><strong>Underweight</strong></td>
<td><strong>Dollarama Inc.</strong></td>
<td>506</td>
<td>$32,034.86</td>
<td>$63.31</td>
</tr>
<tr>
<td><strong>Restaurant Brands International</strong></td>
<td><strong>Underweight</strong></td>
<td><strong>Underweight</strong></td>
<td><strong>Underweight</strong></td>
<td><strong>Sleep Country Canada Holdings</strong></td>
<td>505</td>
<td>$18,952.65</td>
<td>$37.53</td>
</tr>
<tr>
<td><strong>Consumer Staples</strong></td>
<td><strong>Overweight</strong></td>
<td><strong>Energy</strong></td>
<td><strong>Underweight</strong></td>
<td><strong>Alimentation Couche-Tard</strong></td>
<td>212</td>
<td>$11,236.00</td>
<td>$53.00</td>
</tr>
<tr>
<td><strong>Loblaw Companies Inc.</strong></td>
<td><strong>Underweight</strong></td>
<td><strong>Underweight</strong></td>
<td><strong>Underweight</strong></td>
<td><strong>Sienna Senior Living Inc.</strong></td>
<td>1,433</td>
<td>$52,519.45</td>
<td>$36.65</td>
</tr>
<tr>
<td><strong>Health Care</strong></td>
<td><strong>Underweight</strong></td>
<td><strong>Health Care</strong></td>
<td><strong>Underweight</strong></td>
<td><strong>Sun Life Financial Inc.</strong></td>
<td>1,016</td>
<td>$71,536.56</td>
<td>$70.41</td>
</tr>
<tr>
<td><strong>Industrial</strong></td>
<td><strong>Overweight</strong></td>
<td><strong>Industrials</strong></td>
<td><strong>Underweight</strong></td>
<td><strong>Manulife Financial Corp.</strong></td>
<td>3,264</td>
<td>$164.42</td>
<td>$25,684.30</td>
</tr>
<tr>
<td><strong>Consumer Staples</strong></td>
<td><strong>Overweight</strong></td>
<td><strong>Information Technology</strong></td>
<td><strong>Underweight</strong></td>
<td><strong>WSP Global Inc.</strong></td>
<td>553</td>
<td>$101,547.39</td>
<td>$183.63</td>
</tr>
<tr>
<td><strong>Financials</strong></td>
<td><strong>Underweight</strong></td>
<td><strong>Materials</strong></td>
<td><strong>Overweight</strong></td>
<td><strong>CCL Industries Inc.</strong></td>
<td>608</td>
<td>$41,240.64</td>
<td>$67.83</td>
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<tr>
<td><strong>Real Estate</strong></td>
<td><strong>Underweight</strong></td>
<td><strong>Real Estate</strong></td>
<td><strong>Underweight</strong></td>
<td><strong>Brookfield Infrastructure Partners</strong></td>
<td>970</td>
<td>$74,680.30</td>
<td>$68.96</td>
</tr>
<tr>
<td><strong>Utilities</strong></td>
<td><strong>Underweight</strong></td>
<td><strong>Utilities</strong></td>
<td><strong>Underweight</strong></td>
<td><strong>Northland Power Inc.</strong></td>
<td>460</td>
<td>$17,457.00</td>
<td>$37.95</td>
</tr>
<tr>
<td><strong>Cash</strong></td>
<td><strong>Overweight</strong></td>
<td><strong>Cash</strong></td>
<td><strong>Overweight</strong></td>
<td><strong>Canadian Dollar</strong></td>
<td>3,880</td>
<td>$86,813.60</td>
<td>$17.22</td>
</tr>
<tr>
<td><strong>US Dollar</strong></td>
<td><strong>Underweight</strong></td>
<td><strong>Cash</strong></td>
<td><strong>Underweight</strong></td>
<td><strong>Dream Industrial Real Estate</strong></td>
<td>460</td>
<td>$17,457.00</td>
<td>$37.95</td>
</tr>
<tr>
<td><strong>Total Portfolio Value</strong></td>
<td><strong>CAD</strong></td>
<td><strong>Cash</strong></td>
<td><strong>Overweight</strong></td>
<td><strong>Brookfield Infrastructure Partners</strong></td>
<td>970</td>
<td>$74,680.30</td>
<td>$68.96</td>
</tr>
</tbody>
</table>

Figure 11 | Prime Portfolio Overview
MACRO COMMENTARY

2021 Macroeconomic Review

2021 proved to be a positive year for equity markets as uncertainty surrounding COVID-19 continued to provide periods of volatility. While vaccination efforts were largely successful in wealthy nations, countries in the developing world were not able to receive the same access or success rates when it came to vaccinating their populations. In addition to this, new variants of the disease ensured that public health measures would still be required as they proved to be more transmissible. This led to similar lockdown measures as seen in earlier waves that disrupted economic activity. Major central banks around the world generally maintained expansionary monetary policy through much of the year, holding interest rates constant and continuing to add to their balance sheets. This trend began to shift in the second half of the year as inflation that was initially brushed off as transitory proved to be more persistent, leading many central banks to slow or stop their quantitative easing programs. Fiscal policy continued to be expansionary throughout the year in North America, with President Biden signing a $1.2 trillion infrastructure bill into law and Prime Minister Trudeau winning re-election in September and pledging to maintain pandemic supports into the future. Another interesting trend specific to Canada was the relative decoupling of the Canadian dollar and oil prices. In past bull commodity markets, CAD had tended to strengthen as oil prices rose and Canadian producers were able to receive better prices for their products. This proved to not be the case in 2021 as oil prices rose significantly and the WTI-WCS differential stayed at a reasonable level.

The S&P/TSX Composite benchmark returned 25.1%, with the NASDAQ and the DJIA returning 21.4% and 18.7%, respectively. Most sectors performed relatively strongly throughout the year, with large gains in Canadian energy stocks playing a heavy role in overall returns. Other sectors that showed strong returns include financials, communication services and real estate. The main shortcomings in Canadian equity markets were in the health care and materials sectors. Shopify continued to show strong returns as it maintained its status as the largest company by market capitalization in Canada, returning 21.18% on the year.

After the extreme volatility demonstrated throughout 2020 due to COVID-19, markets seemed to become more accustomed to the pandemic, reacting less strongly on news of additional lockdowns. Part of this is likely attributed to a higher level of understanding regarding the effect that lockdowns have on the economy. This lower level of reactivity, sustained expansionary monetary and fiscal policy and improving economic conditions led to the strong returns demonstrated over 2021. While inflation began to heat up near the end of the year, central banks appear to possess the tools necessary to tackle any future surprises and move towards their targets of around 2% inflation.

2022 Macroeconomic Outlook

The easing of expansionary monetary policy is expected to be the main story of 2022. With inflation running higher than expected, we have already seen central banks ease or end their quantitative easing programs and hint at upcoming rate hikes. However, fiscal policy in North America may not slow at the same pace as its monetary counterpart. In the United States, President Joe Biden failed to pass his Build Back Better bill due to moderates in the Senate holding out. It is expected that a revival of sorts of the bill may be attempted in the new year, which if at all similar to the previous bill will result in significant investment into the economy. It is expected that inflation will continue to be the main story in 2022. The Federal Reserve will be monitoring CPI closely as it attempts to balance controlling prices with allowing the economy to fully heal before any drastic action.

It is expected that the Canadian economy will grow at a rate of 4.25% in 2022, a number that will lag behind the pace seen in 2021. Canada is expected to experience many of the same concerns as the United States, specifically concerning the pace of inflation that has shown no signs of tapering off. Additional factors that may weigh on the Canadian economy include rising real estate prices in major markets and the uncertainty surrounding COVID-19. Fiscal policy is expected to continue at a similar pace, as Prime Minister Justin Trudeau has promised to keep pandemic supports in place for the time being. Another major theme that could prove to have global implications is the increasing tensions between Ukraine and Russia. The conflict that commenced in 2014 has seen recent escalations as Russia has increased threats and built-up troops along the border between the two nations. This standoff has become a focus for NATO and other democracies as they attempt to prevent a major conflict from breaking out while providing military aid to Ukraine.
2022 Macroeconomic Outlook Continued

NATO members and others have promised to bring in heavy sanctions against Russia if a meaningful escalation comes to fruition. A conflict has the potential to slow or halt the flow of natural gas from Russia to the rest of Europe and could have global economic consequences. Diplomatic efforts are underway and there remains hope for a peaceful resolution. The West’s relationship with China also promises to continue to be an issue, as the change in administration in the U.S. has done little to reduce economic tensions between the two sides.

Interest Rates

The Federal Reserve held short-term target rates flat at 0.00%-0.025% throughout 2021 as we saw the economy continue to recover. Although rates were not raised at any point throughout the year, the Federal Reserve did ease its monetary policy as it slowed the pace of its net asset purchases. Inflation ran high throughout the year, peaking at a level of 7.1% in December. This led the Federal Reserve to ease its expansionary policy as mentioned above. Although this policy action was taken, there remain calls for the Federal Reserve to hike rates to help ease concerns of inflation. Looking into 2022, we will likely see three or more rate hikes as inflation is expected to continue to run hot. While Jerome Powell had initially promised lower rates for longer, the general tone of his institution has become more hawkish as inflation which was initially expected to be transitory moved into a more persistent state.

The Bank of Canada faced similar challenges to the Federal Reserve throughout 2021. The policy interest rate was held constant at 0.25% throughout the year. Seeing similar levels of inflation as the U.S., the Bank of Canada took action to end quantitative easing and move towards a reinvestment phase where government bonds are only purchased to replace maturing bonds. The Bank of Canada remains committed to holding their policy interest rate at the effective lower bound until it feels that the 2 percent inflation target is sustainably achieved; it expects this to happen sometime in the middle quarters of 2022. Over the next year, we expect the Bank of Canada to follow a similar path as the U.S. Federal Reserve and raise rates a number of times.
AECO began the year trading at US$1.98/MMBtu and ended 2021 at US$3.11/MMBtu, up 57% annually. To alleviate the undersupplied U.S. market, imports from Canada rose, driving up the price of AECO to a high of US$5.01/MMBtu for a short period of time. AECO prices quickly normalized after the Texas storm had subsided. Over the summer months, prices rose steadily as Canadian temperatures reached extreme levels and demand for cooling purposes in both the residential and commercial sectors rose. Despite a run-up in prices over Q2, producers were reluctant to increase production, instead hoping to maximize cash flow with the current pricing environment. This kept supply relatively tight during a period of high temperatures. Half way through Q3, prices dropped 45% overnight to AECO’s annual low of US$1.36/MMBtu after maintenance at AECO Hub restricted flow from the region temporarily. Prices resumed their upward trend for the remainder of the fall season with expectations of tight supply and the approaching winter draw season, rising to an average of roughly US$4.04/MMBtu for the month of October. A mild start to the winter helped to ease tight gas markets. In the near term, geopolitical tensions may prop up North American natural gas as existing supply arrangements are reconsidered and cold weather early in 2022 should provide strength as the year kicks off. We anticipate that demand for natural gas will continue to rise globally as it becomes increasingly recognized and accepted as the most economically effective bridge fuel to net-zero emissions. With this considered, we foresee AECO trading at an average price in the range of US$3.50/MMBtu-US$4.50/MMBtu at a differential to Henry Hub of US$1.00/MMBtu-US$1.50/MMBtu during 2022.

Henry Hub opened trading in 2021 at US$2.54/MMBtu and closed the year up 41% at a price of US$3.56/MMBtu. Mid-February, the U.S. natural gas benchmark experienced significant volatility as it briefly rose to US$16.35/MMBtu due to Texas winter storm which caused U.S. natural gas supplies to plummet as production was virtually halted during a time of high demand. Prices stabilized shortly afterwards with increased Canadian natural gas supply entering the region. In the spring, prices reached an annual low of US$2.38/MMBtu as demand waned, courtesy of milder weather. Temperatures rose in the later half of Q2, and with lower than normal storage levels lingering from the harsh winter, prices moved upwards. Prices continued to rise for some time, reaching a Q3 high of US$6.20/MMBtu, up 144% from the start of the year. LNG exports to Europe contributed in a large part to the Q3 price increase as North American and European gas prices showed convergence. Prices fell in December amid a mild start to the winter. U.S. storage levels rose above the 5-year average in the second half of December 2021. In the near term, escalating tensions in Europe could put into question the EU’s reliance on Russia for roughly 40% of gas imports. Reconsideration of the EU’s energy security situation would create further growth for US LNG and price support for Henry Hub. Over the longer term, inflation woes and broader economic concerns highlight potential consequences of over-reliance on renewables “too early” in the energy transition which emphasizes the role of natural gas as the bridge fuel to net-zero emissions. Due to these factors, we foresee a steady demand rise for Henry Hub over the short and long term. We believe Henry Hub prices will average in the range of US$4.75/MMBtu-US$5.75/MMBtu over 2022.
CRUDE MARKET COMMENTARY

WCS

WCS entered 2021 at an annual low of US$32.00/bbl before trending toward a yearly high of US$69.00/bbl in October. WCS prices experienced a drop in late November when prices retracted to US$48.00/bbl before recovering and ending off the year stronger at US$63.00/bbl. The WTI-WCS differential remained steady throughout the year at approximately US$14.00/bbl. This was driven by rising economic activity in North America alongside limited supply from the U.S. Bakken as cold weather slowed production. Light-heavy differentials narrowed as Mexico continued to redirect supply to their domestic market. Ongoing pressure from Michigan to shut down Line 5 continued to weaken prices. However, in Q2, the announcement that Line 3RP (L3RP) will enter service in Q4 2021 and the lifting of the stop-work order issued to the Trans Mountain Corporation supported expectations for increased pipeline capacity and reduced reliance on CBR. Strong refining margins and drawdowns in Canadian storage levels during Q3 were briefly offset by the spread of the Delta variant in August. The WTI-WCS differential remained steady during early December as Omicron infections temporarily weighed on crude prices. The completion of the L3RP means more oil can flow from Alberta to the US Midwest, allowing for WCS to meet the rising demand anticipated in 2022. Furthermore, it is expected that the Trans Mountain pipeline expansion project will be completed by late 2022, increasing export capacity to Asian markets by 590Mbbl/d. Taking into account these factors, we expect a WTI-WCS differential of US$10.00/bbl-US$16.00/bbl in 2021 with WCS trading between US$65.00/bbl-US$75.00/bbl to average US$70.00/bbl in 2022.

WTI

WTI started off 2021 with a yearly low of US$47.00/bbl and increased to a high of US$81.00/bbl in late October. Prices fell dramatically in early December before ending the year off at US$75.00/bbl. Production cuts from OPEC+ and declines in crude oil production from winter storms in Texas caused a rapid increase in prices in the months of January and February. Economies started to reopen in Q2 due to expedited vaccine rollouts, which led to a boost in flight bookings, car travel, and other activities, therefore increasing the demand for crude oil at a faster pace. With OPEC+ continuing to restrict their supply, demand growth outpaced production and pushed prices up throughout the remainder of the year, to levels not seen since 2014. However, variants such as Delta and Omicron caused major oil consumption markets to impose travel restrictions in the months of August and December, and the value of the U.S. dollar made crude more expensive for foreign buyers, therefore creating price dips for WTI. We saw some price fluctuations in Q3 as the power outages from Hurricane Ida decreased the production and partially countered the effects of the reduced demand. OPEC+ elected to continue raising oil output by 400Mbbl/d, supporting WTI prices, though this was more than offset by the Omicron variant spread across the globe, causing several countries to impose restrictions once again. However, WTI prices quickly recovered, reflecting market expectation that Omicron will be less disruptive to economic activity than prior variants. Therefore, we expect demand to strengthen throughout 2022 and supply to remain relatively flat due to continued discipline from OPEC+. As a result, we expect WTI Crude prices to trade between US$78.00/bbl-US$88.00/bbl to average US$83.00/bbl in 2022.
Gold
The past year proved to be filled with uncertainty for precious metals as a result of the COVID-19 pandemic and supply-side shortages, sending both palladium and platinum to prices not seen in over half a decade. Silver prices were stable, with relative strength coming from a continued increase in demand from industrial projects and the energy transition. Fueled by macroeconomic uncertainty and low interest rates, gold prices also remained high, but were unable to reach levels seen in 2020. Going into 2022, economic instability remains a concern for much of the world, with historically low interest rates, and untamed inflation, it is probable to see gold pushed to record levels. Additionally, supply deficits are expected from areas with pent-up demand such as India, China, and South-Asia where urbanization is a catalyst for the upwards movement in prices. We also expect silver, palladium, and platinum prices to stay above their historic averages. Despite these possibilities, rates hikes have been heavily discussed by all central banks and the possibility of these happening around the mid-way point of the year is high and will likely soften gold prices. Overall, with geopolitical tensions rising, continued uncertainty about the economy, low rates, and an excess demand environment, we see gold prices rising through the first three quarters of 2022 and remaining relatively flat thereafter, with the other precious metals following suit.

Base Metals
Base metal prices remained strong throughout the year, with tin and aluminum seeing the largest gains. The pricing environment was primarily driven by supply deficits as COVID-19, high energy prices, and underinvestment took their toll on producers. As a result, large metal consumers such as China have started to crack down on speculators, trying to protect domestic industry, although their effectiveness has been limited. Looking into 2022, we foresee prices remaining strong on the back of robust demand from industry and infrastructure, inflated energy prices, and long lead-up time for new metal projects. However, as abnormally high winter natural gas prices come down, and OPEC+ brings more supply online in the latter half of the year, we expect the price of energy-intensive metals such as aluminum to decrease. Moving into the longer term, we maintain our conviction in energy-transition metals such as copper, nickel, and cobalt. New investment has not kept pace with the ever-increasing demand from the energy transition, and we predict the long lead-up time for prospective projects will create a long-term supply deficit in these metals.
**SECTOR COMMENTARY**

**Communications Services**

Portfolio Weighting: 4.44%
Annual Return: 23.60%
Alpha: -0.06%
Manager: Steven Liu

Analyst: Theresa Buis, Kent Wang

The Communications Services sector returned 23.60% in 2021, underperforming the benchmark by 1.11%. The sector makes up 4.44% of the PRIME portfolio which is slightly underweight by 0.40% compared to the benchmark. The main driver of this sector continues to be 5G implementation. The recent 3500 MHz auction generated $8.91 billion in revenue, which meant that many telecommunications companies paid an inflated price for these licences. Additionally, the Trudeau government stated in September that they would be providing a final decision on Huawei’s involvement in Canada’s 5G network but have not yet provided an official response. Nevertheless, it seems very unlikely that Huawei will be involved with Canada’s 5G networks as companies do not want the negative optics of using Huawei equipment. During the year, Rogers and Shaw announced a proposed merger deal. The CRTC Competition Bureau continues to investigate the impacts of the proposed deal on the communications sector in Canada and is likely to make a ruling in 2022.

TELUS Corporation (TSX: T) returned 23.60% in 2021. TELUS continued to post strong results throughout 2021, helped in part with the recovery of its wireless segment with stay-at-home orders being lifted around Canada. In February of 2021, TELUS International, a segment of TELUS focusing on revolutionizing digital experiences, had an IPO, making it the fifth-largest IPO in TSX history. The move reflects TELUS’ desire of diversifying its revenue streams. Over time, TELUS International has seen significant growth, in part due to acquisitions such as Playment in July to complement its previous Lionbridge acquisition. In the summer of 2021, TELUS acquired 142 3500 MHZ spectrum licences in a spectrum auction for a total cost of around $2 billion which gives the company significant population coverage for its 5G rollout. Throughout the year, TELUS has accelerated the implementation of PureFibre and 5G networks which have rapidly grown its wireline and wireless segments. Consequently, TELUS currently offers the fastest 5G network currently in Canada and has almost tripled its 5G coverage from the end of 2020. To fund these capital-intensive activities, TELUS has issued $750 million in green bonds which will allow the company to enjoy lower interest rates and a positive ESG outlook. Looking ahead into 2022, we are confident that TELUS will continue to post strong operational results not only in its core wireline and wireless segments, but in its ancillary segments like TELUS International, TELUS Health, and TELUS Agriculture.

**Consumer Discretionary**

Portfolio Weighting: 3.42%
Annual Return: 16.57%
Alpha: -0.07%
Manager: Liam Darbellay

Analyst: Hania Belal

The Consumer Discretionary sector returned 16.57% over the year, underperforming the S&P/TSX index by 1.88%. The sector represents 3.42% of the PRIME fund, 0.39% underweight relative to the benchmark.
SECTOR COMMENTARY

Sleep Country (TSX: ZZZ) was the discretionary sector’s top performer through 2021, returning 45.34%. The company leveraged its strong e-commerce channels in 2021, accounting for over 25% of sales this year. This was a strong driver behind the double-digit revenue growth figures seen throughout the year. The company also expanded its retail partnership with Walmart and announced a new partnership with Casper Sleep. Later in the year, Sleep Country closed its 52% majority stake purchase of Hush Blankets as well as a 25% ownership stake in the start-up Sleepout Inc. These expanding partnerships and acquisitions further put the mattress retailer in a leading market position, strengthening its financial position. 2021 also brought a change in management as Dormez-vous founder Stewart Schaefer took over the CEO position when Dave Friesema announced his retirement. Sleep Country ended the year by reporting its fifth consecutive earnings surprise and continues to exceed our expectations.

Dollarama (TSX: DOL) returned 22.47% over the year, as its share price mostly reacted to earnings announcements. April saw a significant sell-off of 2.2 million shares by insiders, led by CEO Neil Rossy, which led to a decline in the share price. Despite seeing continued restrictions across many provinces, the company was able to maintain consistent revenue figures and strong margins. Inflation was a constant challenge through the late stages of the year, but the company maintained its stance on not increasing prices, which was met positively by investors. Dollarama ended the year by reaffirming its fiscal 2022 goals to open 60 to 70 net new stores and to see capital expenditures of $160 to $170 million.

Restaurant Brands International (TSX: QSR) faced a difficult year as it returned –5.98%. The year was marked by increased competition and supply chain issues, though it also included several expansions and investment transactions. Most notably, the company announced its intent to purchase Firehouse Subs in a $1 billion all-cash deal. Internally, the company saw steady revenues as well as three out of four quarterly earnings beating estimates. Nevertheless, the quick-service operator was challenged by inflation, Burger King in particular, as labour shortages led to increased beef prices late in the year. In December, Popeyes signed a franchise agreement with Tanmiah Food to expand its presence to Saudi Arabia, carrying out its expansion plans from earlier in the year. We will continue to evaluate the company’s selection and execution of growth opportunities in the following months.

### Consumer Staples

**Portfolio Weighting:** 3.81%

**Annual Return:** 22.49%

**Alpha:** -0.03%

**Manager:** Liam Darbellay

**Analyst:** Hania Belal

The Consumer Staples sector, accounting for 3.81% of the fund, returned 22.49% over the year, outperforming the index by 0.02%.

Loblaw (TSX: L) was the top performer across both Consumers sectors, returning 67.88% for the year. The company was influenced by lower eat-at-home trends compared to 2020, but still saw comparable sales increase over 6%. Loblaw also experienced higher inflation than the industry average, but its position as an essential retailer allowed it to pass off these increased costs. Another important development was the retirement of President Sarah Davis, who is set to be succeeded by Galen G. Weston. The company ended the year by reporting its fifth consecutive earnings surprise as it continues to demonstrate its financial strength and resilience. As a result of this robust performance, Loblaw expects to return capital to shareholders by allocating a sizeable portion of its free cash flow to share repurchases.

Alimentation Couche-Tard (TSX: ATD) returned 15.45% over 2021. The biggest headline for the company came early in the year with its attempted Carrefour acquisition. The rejection of the proposal by the French ministry led to a significant drop in the company’s
share price, but it was able to recover strongly through the remainder of the year. It also divested from 355 sites across the U.S., as well as later acquiring 19 convenience stores from Pic Quik in New Mexico as a part of its strategic network realignment. Couche-Tard was able to beat estimates in two quarters this year, mostly due to strong Y/Y revenue growth. In particular, the road fuel segment saw a 28.6% Y/Y increase, highly attributable to high road fuel selling prices and increased demand in the U.S. and Canada. The merchandise segment outside of North America also experienced notable same-store sales growth. Late in the year, the company raised its dividend to $0.11, representing a 26% Y/Y increase. Couche-Tard also closed its single-voting Class B and automatically converted the shares to Class A multiple-voting shares.

Saputo (TSX: SAP) faced several challenges over the year as it returned –18.33%. The company beat estimates twice during the year but struggled to control costs with net income margin gradually decreasing. The dairy giant too was struck by higher inflation as it was forced to absorb increased costs rather than pass them on to consumers. Dairy commodity price volatility also posed a challenge, as did supply chain issues that hampered the company’s production. Throughout the year, Saputo also engaged in several transactions, first acquiring Bute Island Foods’ facility, then the Carolina Aseptic and Dairy businesses. Although the company is beginning to deliver on some of its investments that it promised in 2020, its underlying operations still carry issues that we will be closely monitoring in the following months.

**Energy**

**Portfolio Weighting:** 12.08%

**Annual Return:** 82.99%

**Alpha:** 3.09%

**Managers:** Hunter Boyer, Jaskaran Singh

**Analyzers:** Ria Agarwal, Liam Martindale

Enerplus (TSX: ERF) was the Energy sector’s top performer over the past year, returning 242%. The company achieved record production in 2021 from ramp-ups in their Marcellus operations and the acquisition of Bruin (in March) and additional Williston Basin assets (in April). Additionally, Enerplus announced the divestiture of its working interest in Montana and North Dakota for a total cash consideration of US$115 million and will allow Enerplus to target investments that deliver a more attractive ROIC. Strong FCF yield has accelerated progress towards the company’s $400 million net debt reduction target. Enerplus also raised its dividend to 8% and expanded its share repurchase program to $200 million in Q4.

Secure Energy Services (TSX: SES) was the second-best performer for PRIME’s Energy Sector, returning 115% in 2021. Secure had a lower adjusted EBITDA in Q1 mainly due to a reduction in drilling and completion activity. In July, the company entered into a merger agreement with Tervita to strengthen its midstream and environmental services businesses. The transaction created the largest third-party crude processor and environmental solutions business in the WCSB region. With improved industry activity levels, Secure was able to take advantage of higher commodity prices through this merger in the second half of the year, allowing it to achieve its financial and debt reduction targets sooner. Furthermore, Secure invested $4.5 million in the expansion of the East Kaybob oil pipeline which will create additional demand for their services. Increasing margins from higher commodity prices are expected to cause producers and transporters to hike up their production, therefore creating even more demand for Secure's services. For these reasons, we anticipate Secure will continue to maintain a strong balance sheet and strong returns in 2022.

Cenovus Energy (TSX: CVE) returned 102% over 2021. Cenovus kicked the year off with the closing of its acquisition of Husky Energy in Q1. The deal helped further integrate the company, providing it with additional heavy oil assets, extensive transportation, and better downstream logistics capabilities. The deal provided Cenovus with greater access to U.S. markets and higher market pricing as a
SECTOR COMMENTARY

result. Additionally, the ownership of Husky’s Asian assets serves as a geographic diversifier, reducing exposure to landlocked North American benchmark prices. In Q2, Cenovus sold assets in Marten Hills, East Clearwater, and Kaybob for total consideration of roughly $20 million in a strategy to accelerate its deleveraging process. Q3 saw Cenovus taking advantage of higher commodity prices with a $6.0 billion increase in operating margin and aggressive net-debt reduction of $1.4 billion. Looking to Q4, Cenovus is expected to meet its net-debt target much sooner than planned amid higher commodity prices. With our positive outlook on oil prices, we expect Cenovus to use FCF to continue improving balance-sheet strength and rewarding shareholders with distributions as early as Q2 2022.

Canadian Natural Resources Ltd. (TSX: CNQ) returned 83% in 2021. Q1 saw slight production increases amid higher commodity prices as the COVID-19 outlook improved and the cold winter of 2021 paralyzed certain parts of North America’s oil industry. Q2 continued the positive trend for the company with higher commodity prices allowing for even greater netbacks, boosting cash flows from operating activities roughly 14% Q/Q. In Q3, CNRL tidied up its balance sheet, reducing net debt by $2.3B. The company also continued its buyback program, repurchasing 1% of its outstanding shares, rewarding shareholders during an uncertain period in which COVID cases rose globally in July. Fourth-quarter results should demonstrate good performance as commodity prices were high on average across the three months. We expect that this will continue to allow for high netbacks for CNRL, typical of 2021. Looking forward, CNRL is shifting its focus to longer-term growth in 2022, raising its capital spending budget by nearly $1.0 billion, to $4.4 billion. This capital will be deployed towards planned growth in in-situ projects as well as maintenance on certain existing assets and will position the company well for continued growth.

Suncor Energy (TSX: SU) returned 54% over the year. The company saw improving margin capture in Q1 as a result of widening crack spreads. Additionally, revitalized energy markets allowed the company to increase production and resulted in higher revenue overall. In Q2, the company announced a collaboration with ATCO for the early stage design and engineering of a clean hydrogen project near Fort Saskatchewan. The premise is that this project will contribute to Canadian emissions goals through the production of 300Mmt of clean hydrogen per year. If successful, the initiative will reduce Alberta’s CO2 emissions by more than 2MMt annually. Q3 saw Suncor’s share price fall roughly 10% due to a myriad of economic and pandemic-related factors. Despite this, Suncor lowered operating costs per barrel thanks to higher realized prices on production. Additionally, the company pursued its net debt reduction goals, reducing the figure by $2.0 billion, and also repurchased $704 million in shares. We have a positive outlook for the Q4 period as we believe the company will have been able to capitalize on rising commodity prices, resulting in higher FCF yield and allowing the company to meet its net-debt reduction targets for 2021. Peering into 2022, continued strength in FCF generation would allow the company to further strengthen its balance sheet and reward shareholders. Given these prospects, we are confident in our current position in Suncor.

Keyera Corp. (TSX: KEY) was the Energy sector’s second-worst performer this year, returning 35%. In Q1, both the Wapiti and Pipestone gas plants achieved their highest throughput volumes, allowing Keyera to keep up with the increasing demand coming from the reopening of the economy. Headway on two major projects in 2021 has positioned Keyera for stronger revenue generation and FCF yield. Mechanical completion of their oil storage and blending terminal in Cushing, OK was reached in mid-2021, and the KAPS pipeline system project began construction in Q2 (expected completion in 2023). However, higher maintenance capital spending for scheduled maintenance at the Wapiti gas plant and acceleration of capital expenditures on the KAPS pipeline system contributed to negative returns in the 2H. As industry activity continues to pick up and gas processing volumes rise, we anticipate that the new projects will allow Keyera to continue to deliver strong returns in the coming years as they continue to optimize FCF yield.

TC Energy (TSX: TRP) was the Energy sector’s worst performer this year, returning 9%. The Keystone XL pipeline cancellation by the Biden administration resulted in an after-tax impairment loss of $1.0 billion and lower funds from operations. However, strong performance from the company’s U.S. Natural Gas pipelines segment was able to partially offset the loss from the Keystone cancellation in Q1, resulting in a higher-than-expected EBITDA. TC Energy is continuing to enhance the visibility of future dividend growth through a $22.0 billion secured capital program which allocates capital towards low-risk, dividend-fueling projects. In Q2, TC
SECTOR COMMENTARY

Energy and Pembina Pipeline Corporation announced a joint plan to create a world-scale carbon transportation and sequestration solution that will be capable of transporting more than 20MMt per annum. In Q3, the construction of the 2022 NGTL System expansion commenced. TC Energy’s performance dipped slightly in the 2H which was largely attributable to the impact of lower volumes and financial charges on the Canadian Mainline, as well as decreased power and storage segment earnings resulting from more planned outage days than expected. We are confident that TC Energy will continue to invest in profitable projects and bolster its performance in 2022.

Financials

Portfolio Weighting: 33.66%
Annual Return: 34.96%
Alpha: -0.21%
Managers: Braden Bourgeois, Justin Martin
Analysts: John Cleiren, Madison Randhawa

The Financials sector currently comprises 33.66% of the PRIME portfolio, 2.28% overweight relative to the S&P/TSX Composite Financials weighting of 31.38%. Over 2021, our holdings underperformed the benchmark by 1.54%, seeing returns of 34.96% compared to the benchmark’s 36.50% return.

Bank of Montreal (TSX: BMO) and Onex Corporation (TSX: ONEX) were the sector’s strongest performers in 2021, up 45.96% and 43.31%, respectively. Throughout the year, BMO benefited from credit migration and a strengthening of its U.S. presence. An improving economic outlook and persisting low interest rates resulted in a positive credit migration that enabled BMO to significantly lower its provisions for credit losses (PCL) to $20 million from approximately $2.95 billion a year earlier. Additionally, BMO’s U.S. business segment proved to be one of the bank’s best-performing divisions. The bank continues to expand its U.S. foothold through its December 2021 announcement to acquire Bank of the West from BNP Paribas. The acquisition, which is pending regulatory approval, will increase the contribution to revenue from BMO’s U.S. operations to 44% from 36%. BMO has also benefited from strategically reducing its exposure to the Canadian household sector, where borrowing capacity is relatively limited compared to the U.S. Further, in 2021, BMO announced a $12 billion commitment to finance affordable housing in Canada over a 10-year period. Moving into 2022, BMO will gain from its strengthening U.S. presence and diversified business model. Onex Corporation profited in 2021 from the economic snapshot from COVID-19, a strengthening leveraged loan market, and quality activity across its investment segments.

Throughout the year, Onex complemented their diversified investment portfolio through Onex Partners V fund’s investments in Weld North Education, Newport Healthcare, Fidelity Building Services Group, and Tes Global. Onex Partners V is now approximately 78% invested and these new investments offer exposure to fast-growing industry segments through high-quality businesses. Additionally, Onex partially realized its investment in Ryan Speciality group, Onex Partners III realized its investment in JELD-WEN Holding, Inc., and ONCAP III exited its position in Davis-Standard. Onex continues to capitalize on growth potential and scalability, especially through increases in fee-generating assets under management at Onex Credit. Onex is entering 2022 with strength from the benefits of a diversified investment portfolio and growth potential and scalability through investments.

Toronto-Dominion Bank (TSX: TD) and Bank of Nova Scotia (TSX: BNS) both outperformed the benchmark over the year, yielding returns of 40.17% and 37.99%, respectively. Throughout 2021, TD’s performance was primarily driven by increases in its Canadian Retail and U.S. Retail segments, with net income increasing by 41% and 65%, respectively. Positive retail segment performance was driven by lower PCL, increased revenue, decreased insurance claims, and higher non-interest income. These gains, however, were partially offset by higher expenses and lower net interest income. TD’s Wholesale Banking segment experienced lower returns, with...
net income increasing 11% relative to 2020, reflecting lower revenue and higher non-interest expenses which were offset by lower PCL. In 2021, TD increased its tier 1 capital ratio by 2.1% to 16.5% as it maintains the strongest ratio among Canadian banks. TD has seen positive returns on its investment in its digital banking platforms as it was awarded Best Canadian Digital Banking App, Safest Bank in North America, and Best Consumer Digital Bank in North America. Moving forward, we maintain that TD is well-positioned for growth through its extensive distribution network, strong digital banking presence, and robust capital ratio. Scotiabank’s performance over the year was driven by growth in its Canadian Banking segment which saw a 60% increase in net income due to lower PCL and higher revenues. On the other hand, Scotiabank’s Global Banking and Markets operations saw lower returns, with net income increasing by 2% due to lower trading-related revenue, offset by higher advisory fees and lower operating expenses. Overall, Scotiabank was able to improve its operational efficiency to lower its productivity ratio by 1.3% compared to 2020, indicating a lower proportion of operating expenses. Over the year, Scotiabank made progress on its ESG initiatives through the issuance of its inaugural USD $1-billion 3-year sustainability bond offering, the largest sustainability bond by a Canadian corporation to date. As we move into 2022, we maintain our conviction in Scotiabank given its strong international presence, specifically in the Americas corridor, and increasing operational efficiency.

Sun Life Financial (TSX: SLF) delivered a lower return relative to the benchmark, contributing a total annual return of 28.86%. Throughout the year, Sun Life gained from organic and inorganic business growth and an intensifying approach in Asian markets, while faced with adverse impacts from foreign exchange translation, negative mortality experience related to COVID-19, and unfavourable movements in the credit spread. Sun Life continued to grow organically in 2021 by capitalizing on the world’s growing affluent population through its global asset management business. On the other hand, SLF took advantage of inorganic growth opportunities by entering into a definitive agreement to acquire DentaQuest. The acquisition will position Sun Life as a leading dental benefits provider in the U.S. and is expected to be immediately accretive to both EPS and ROE. In addition, Sun Life made investments in shares of Dialogue Health Technologies Inc., a virtual health care provider. Sun Life continues to intensify its approach in fast-growing Asian markets, reporting high growth in this region throughout the year. Entering 2022, Sun Life is poised for growth through continued organic and inorganic business development and an increased focus in high-growth markets.

The Financial sector’s worst performers over the year were Manulife Financial Corporation (TSX: MFC) and Intact Financial Corporation (TSX: IFC), reporting returns of 11.63% and 11.39%, respectively. Manulife’s return over 2021 was impacted by slowed growth and poor business performance across its international operations. Further, lower than expected earnings in Asia were driven by decreased Company-Owned Life Insurance (COLI) product sales in Japan. In contrast, net inflows in Manulife’s Retail and Institutional Asset Management segments were drivers for growth over the year. Moving into 2022, Manulife aims to expand its foothold in China as well as increase the sale of international products. Intact continued to realize an accretive contribution from its RSA acquisition throughout 2021, driving P&C premium growth within its Personal Auto, Personal Property, and Commercial Lines subsegments. An increase in severe weather events, including hailstorms in Canada, flooding in the United Kingdom, and damage from Hurricane Ida, increased catastrophe claims over the year to partially offset P&C growth. Intact is well-positioned for growth moving into 2022 through its accretive acquisitions, solid premium growth, and strong international exposure.

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**Health Care**

<table>
<thead>
<tr>
<th>Portfolio Weighting: 0.78%</th>
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<tbody>
<tr>
<td>Annual Return: 13.19%</td>
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<tr>
<td>Alpha: 0.48%</td>
</tr>
<tr>
<td>Manager: Liam Darbellay</td>
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<tr>
<td>Analyst: Hania Belal</td>
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</tbody>
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[Graph showing performance from 2019 to 2021]
Sienna Senior Living (TSX: SIA), the fund’s only holding in the Health Care sector, returned 13.19% in 2021, outperforming the benchmark by 32.35%. The outperformance is largely attributable to another poor year for cannabis and pharmaceutical companies.

2021 saw many new and continued developments for Sienna, beginning with the $50 million Niagara Falls development that started in May. Later in July, the company received support from the Government of Ontario to continue its development in North Bay. Sienna’s name appeared in local news several times throughout the year as COVID-19 outbreaks continued to appear at its facilities, though the company did reach 95% vaccination for its residents and 100% for its staff in August. Earnings and dividend announcements throughout the year were mostly in line with expectations, and therefore had little impact on share price.

**Industrials**

Portfolio Weighting: 12.91%
Annual Return: 32.72%
Alpha: 2.14%
Manager: Shyam Srinivasan

Analyst: Jake Kim

The Industrials Sector returned 32.72% over the year, outperforming the benchmark by 16.24% and attributing 2.14% to alpha. At the conclusion of 2021, Industrials constituted 12.91% of the PRIME portfolio, which is an overweight position of 1.09% compared to the benchmark. The sector entered a position in ATS Automation Tooling Systems (TSX: ATA) in March.

ATS Automation Tooling Systems Inc. (TSX: ATA) was purchased with funds acquired from the sale of our position in Waste Connections and has since returned a remarkable 85.87% since its addition to the PRIME portfolio. ATS’ reorganization plan that was announced in Q4 2020 proved to be successful as the company saw incredible growth in revenue that was largely attributable to improvements in the Life Sciences, Energy, and the Consumer Product Markets. Throughout the year, ATS continually managed to record high levels of order bookings and maintained a healthy backlog in excess of $1 billion. ATS also made numerous strategic acquisitions such as BioDot Inc., CFT, CIM, DF S.r.l, and NCC. The acquisitions have great potential to add to ATS’ diverse line of businesses. We hold conviction in ATS’ ability to pursue similar growth opportunities in different markets and capture emerging global automation trends.

WSP Global Inc. (TSX: WSP) had a very strong year, returning 53.85%. Largely attributable to this success was WSP’s acquisition of Golder Associates in Q1. The acquisition has allowed WSP to deliver on its goal of having 25% of revenue attributable to Earth Sciences and Environmental Consulting Services. Golder has been a key driver in all aspects of the balance sheet as WSP reported incredible growth in revenue and order backlog. WSP has been aggressive in its pursuit of strategic deals and acquired other companies such as Engeleick Structural Engineers, b+p, Earthcon, and tk1sc. Geographically, WSP grew operations in all of its global regions. In particular, WSP is positioned well to succeed in the American market as prospects in the United States continue to strengthen, specifically through the announced signing of the Bipartisan Infrastructure Bill which will inject $1.2 trillion into the American economy. Looking forward, we believe WSP has strong potential as they look to successfully integrate recently acquired companies and gain a larger market share in a highly coveted American infrastructure market.

Canadian National Railway (TSX: CNR) had a strong return of 12.89% this year. CN started the year with promise as the frontrunner to merge with Kansas City Southern (TSX: KCS). However, the merger proved to be unsuccessful and resulted in shareholder activism from TCI Fund Management. TCI was critical of former CEO JJ Ruest and claimed the failure to merge with KCS was a result of his actions. The fund pushed for change at CN and outlined a plan to improve returns that centred around cutting costs, improving efficiency, and finding a new CEO. Amidst the scrutiny, Ruest announced his resignation and recently, CN named Tracy Robinson as
his replacement. From an operations standpoint, CN faced several problems in its operations as floods on the west coast of Canada cut rail freight traffic to and from the port of Vancouver, the largest port in Canada. Despite various challenges, CN remained resilient and managed to improve its operational efficiency which has been a weakness in recent years. CN remains a pillar of the Industrials sector and we maintain conviction in CN’s ability to achieve growth through its operational strength and unparalleled rail network.

Air Canada (TSX: AC) saw the sector’s poorest return at -7.20%. COVID-19 has continued to hinder the airline company as passenger flights have yet to find consistent demand due to continually changing government restrictions. However, PRIME remains optimistic that demand will continue to improve as countries begin to loosen restrictions surrounding air travel. Throughout the year, Air Canada made the most of its aircrafts by removing passenger seats from Boeing 777 and Airbus A330 aircrafts to maximize cargo space. The move has allowed Air Canada to reach record highs in cargo revenue and has assisted the company in being cash flow positive in Q3. In Q4, Air Canada pulled out of the federal government’s $5.375 billion aid program. The decision to exit federal aid signified Air Canada’s improved financial position. In early December, Air Canada and Chase partnered to launch the new U.S. Chase Aeroplan Credit Card. The partnership presents an opportunity to add to the company’s American clientele. Moving forward, we believe that Air Canada is positioned well to succeed as the airline industry looks to reap the benefits of pent-up demand and reduced travel restrictions.

Information Technology

Portfolio Weighting: 6.31%
Annual Return: 12.96%
Alpha: -0.02%
Manager: Steven Liu
Analyst: Theresa Buis, Kent Wang

The Information Technology sector returned 12.96% over 2021, underperforming the benchmark by 5.51%. The sector makes up 6.31% of the PRIME portfolio and is underweight by 4.52% compared to the benchmark. SaaS and the Cloud continue to be the key industry drivers in the sector as businesses increasingly find value in managed IT solutions. This has consequently highlighted the need for robust cybersecurity services which is becoming one of the main concerns regarding the widespread use of these services. The semiconductor shortage continued over 2021, with shortages affecting not only tech companies, but also significantly affecting the automotive industry as well. These shortages are expected to continue into 2022, with many analysts predicting that they will persist into 2023 as well. Inflationary concerns have also been a key issue in 2021 as many central banks are taking a more hawkish view on the economy which will negatively affect all sectors, but especially the IT sector.

Kinaxis (TSX: KXS) was the Information Technology sector’s strongest contributor, returning 13.40% in 2021. As a recent addition to the portfolio in early 2021, the need for more agile supply chain management software as the economy recovered from the pandemic was the driving force behind the significant returns. With the increase in demand from the economic recovery, the company faced a large backlog which was cleared with the help of RapidStart, allowing the company to see an increase in its SaaS revenues. Kinaxis’ service offering and implementation of third-party plug-in support for RapidResponse will be instrumental in differentiating from its competitors through an enhanced user experience and capabilities of RapidResponse compared to other available supply chain management software. As approximately half of the company’s recent customer wins were from small and medium-sized enterprises, there is likely to be increased focus on this area, as well as securing lucrative aerospace and defence contacts. With SaaS becoming more popular due to its accessibility and cost, we foresee this holding greatly benefiting the portfolio as the ability of SaaS continues to transform the Information Technology sector.
**SECTOR COMMENTARY**

OpenText Corp. (TSX: OTEX) returned 5.62% over the past year. The company continues to secure large customer wins as well as commit to additive acquisitions which contribute to this robust growth. With the recent concerns surrounding cybersecurity, Carbonite’s product offering has positively contributed to the company’s cloud revenue and has been a critical differentiating factor for its product line. In line with its cybersecurity portfolio, OTEX released new Managed Detection and Response (MDR) software, providing more enterprise information management products for customers. Expanding its services, OpenText recently completed its acquisition of Zix Corporation, adding email security and threat protection solutions via the cloud. Due to the increasing need for cloud-based services in various industries and OpenText’s diversifying service base, the company was able to secure significant contracts with customers such as Revlon, DHL, Wells Fargo, RBC and VMware. As a result of OpenText’s recurring revenue business model and robust free cash flow generation, we remain confident that it will continue to maximize shareholder value through its significant and stable cash flows.

CGI Inc. (TSX: GIB.A) returned 10.75% in 2021. The past year was a great year for CGI’s U.S. federal segment, securing a cumulative $284.4 million in 5-year contracts and a contract with the U.S. Department of Defence with a ceiling of $12.6 billion over the next 10 years. To further supplement its expertise in this segment, CGI acquired Array in October of 2021, which will add around 275 experienced professionals to its team who specialize in providing digital services to the U.S. Department of Defence. In September of 2021, CGI issued a cumulative $1.6 billion in medium to long-term notes, which was a well-played strategic decision as it allowed CGI to take advantage of record-low interest rates before central banks took a hawkish view on its monetary policy. With governments and companies around the world realizing the value of digital transformations and the modernization of IT systems, we hold a strong conviction in CGI’s ability to grow its business, especially in its federal segments.

**Materials**

Portfolio Weighting: 13.30%
Annual Return: 21.89%
Alpha: 2.56%
Managers: Connor Boyko, Brett Creech
Analysts: Jackson Gylander, Megan McKeen

Over 2021 the Materials sector returned 21.89%, significantly outperforming the benchmark by 17.79%. At the end of the period, the sector comprised 13.30% of the fund, overweight 1.20% relative to the TSX Composite Index.

With an annual return of 84.57%, Stelco Holdings Inc. (TSX: STLC) had an outstanding year, built on the back of a historic price environment for steel. At the end of the fourth-quarter, Stelco announced it had entered into an agreement with Primobius GmbH to advance Stelco’s contribution to commercial lithium-ion battery sourcing, which drove returns in Q4. Additionally, major events which drove Stelco’s price even higher this year consisted of being added to the S&P/TSX Composite Index and two major share buybacks to distribute some pandemic earnings. Steel production stayed relatively flat across all of its divisions year-over-year, relying on the high that steel prices rode throughout 2021 to boost overall performance. It is unlikely that further infrastructure bills will materialize in 2022 at the same rate as they did this past year, and limited plans for capacity expansion going forward result in Stelco share prices having likely reached their peak. Our conviction remains in Stelco as one of the lowest cost-per-ton producers and market conditions in 2022 will be a major driver of the company’s success.

West Fraser Timber Co. Ltd. (TSX: WFG) returned 49.05% and reached all-time highs during the period. Performance was driven by record-high lumber prices for most of 2021, which translated into massive free-cash-flow generation for the firm. During the year, West Fraser was able to skillfully deploy its windfall earnings into accretive acquisitions and share buybacks. In July the company completed
SECTOR COMMENTARY

a C$1.0 billion substantial issuer bid cancelling over 10 million shares, followed by the acquisition of a lumber and OSB mill in Texas in October. We look forward to West Fraser growing its presence in the Southern United States and believe these low-cost mills will be a strong addition to the company’s portfolio. Despite a dip in lumber prices in Q3, prices ended 2021 on a high note with no signs of slowing down as global economies continue to deal with inflation and supply-side disruption. The company also faced challenges due to these issues, dealing with both the summer wildfires and the winter floods in B.C., delaying shipments. Despite this, we have confidence West Fraser will continue to perform going into 2022 and be able to take advantage of the favourable pricing environment.

Returning 18.83% over 2021, CCL Industries Inc. (TSX: CCL-B) solidified its position as a dominant market player through its aggressive and highly accretive acquisition strategy. With over five separate deals announced this year, CCL and its segments, Checkpoint, Avery, and Innovia, are expanding rapidly into new jurisdictions and entering a wide range of unique markets. In the fourth quarter, CCL announced the acquisitions of Desarrollo e Investigación S.A. de C.V. & Fuzetouch PTE LTD, and Forever Blue Investimentos e Participacoes S.A. CCL’s growth strategy will continue into 2022 as demand for its consumer products continues to grow during the post-COVID boom. Despite this positive outlook, inflation and supply chain backlogs continue to hinder results in the company’s consumer-focused segments as they did throughout the year. The company expects imminent rate hikes and alleviation of the supply chain issues in the new year to mitigate these disruptions, resulting in the expectation of seeing even stronger results going forward. Additionally, rising raw material costs throughout the fourth quarter were seen by all companies in the sector but CCL’s stable earnings and consistent cash flows allowed for minimal effects to be felt by shareholders. CCL’s performance this past year maintains our conviction in the company going forward as a market leader in the containers and packaging sub-sector who will continue its growth-centred mindset.

Wheaton Precious Metals Corp. (TSX: WPM) ended 2021 with a return of 3.47%. Despite strong earnings, Wheaton had a volatile year driven by economic uncertainty, and returns ended relatively flat over the period. Inflation and interest rates continue to be responsible for much of the sentiment around gold prices, with threats of rate hikes in the latter half of the year driving down investor confidence. During the year, Wheaton made several stream acquisitions, most notably the Capstone Santo Domingo project in March, followed by Artemis’s Blackwater project in December. 2021 was a strong year for stream acquisitions compared with 2020 and 2019, and we look forward to these names adding value to Wheaton’s portfolio. With the inflationary environment more uncertain than ever, we continue to look to Wheaton as a strong hedge for the PRIME Fund.

With a negative 9.39% return over 2021, Lundin Mining Corporation (TSX: LUN) was the Materials Sector’s bottom performer. The company did announce the achievement of production guidance for all of its metals in the fourth quarter. This news was accompanied by the acquisition of Josemaria Resources, a deal worth C$625 million which will expand Lundin’s production into Argentina. Investors rapidly retreated from the company after the announcement, with the share pricing dropping over 16%. This acquisition will change the composition of Lundin’s operations, giving the company more exposure to precious metals. Despite not being operational for another five years, there is worry among shareholders surrounding the undertaking of such a large project, being as this is uncharted territory for the company. Base metal prices drove the company’s performance throughout the year, but political turmoil and unfavourable regulations in some of its mining jurisdictions, higher mining expenses, inflationary pressures, and the stepping down of the company’s CEO all hindered Lundin’s 2021 performance. Despite this, the completion of the Zinc Expansion Project at the Neves-Corvo mine will increase capacity going into the new year and base metal prices are expected to be above average levels but will soften from current levels. We believe that Lundin Mining remains a strong base metal play as it continues to expand their portfolio of long-life mines and strengthen its balance sheet over the next decade.
SECTOR COMMENTARY

Real Estate

Portfolio Weighting: 2.93%
Annual Return: 37.21%
Alpha: -0.03%

Analysts: John Cleiren, Madison Randhawa

The Real Estate sector currently accounts for 2.93% of the PRIME portfolio, 0.13% underweight relative to the S&P/TSX Composite Real Estate Weighting of 3.06%. Over the year, our singular real estate holding narrowly underperformed the benchmark by 0.22%, returning 37.21%.

Dream Industrial REIT (TSX: DIR:UN) is the PRIME fund’s only holding in the sector. Over 2021, Dream completed significant inorganic growth through acquisitions and gained from surging portfolio values, a de-risked balance sheet, and a strong development pipeline. Dream completed nearly $2 billion of acquisitions throughout the year on over 50 high-quality and income-producing assets across Canada, the U.S., and Europe. These assets add over 10.4M square feet of GLA to Dream’s portfolio. Additionally, Dream sold 75% of its U.S. industrial portfolio, in line with its portfolio transition to focus more on Canadian and European assets, with a 20% allocation in U.S. assets. Further, the increase in portfolio value is representative of the success of the broad industrial real estate market, Dream’s strong leasing activity, higher market rents, and the reduction in capitalization rates across the portfolio. Throughout the year, Dream continued to de-risk its balance sheet by lowering the proportion of secured debt, repaying debt, and reducing the interest rates on outstanding debt. In 2021, the Trust also successfully advanced its development pipeline, with Phase 1 substantially complete and Phase 2 underway. As the year came to a close, Dream expanded on its ESG efforts by announcing its commitment to net-zero by 2050 or sooner, and their completion of a $250 million offering of green bonds. Moving into 2022, Dream has a strong pipeline for growth through its portfolio transition, initiated structured development program, and future acquisitions.

Utilities

Portfolio Weighting: 4.34%
Annual Return: 16.26%
Alpha: 0.27%

Analyst: Theresa Buis, Kent Wang

The Utilities sector makes up 4.34% of the PRIME Portfolio as of December 31st, 2021, 0.33% underweight compared to the S&P/TSX Composite Utilities weighting. During the year, the sector returned 16.26%, outperforming the benchmark by 4.61%. Over that time, the industrial demand for power recovered to pre-pandemic levels and is expected to continue as a significant driver in the industry as industrial projects rise with the growth of the economy. Throughout the year, China has been facing a power crisis due to severe coal shortages, leading to the rationing of power. Accordingly, offshore wind projects have been gaining momentum in Asia and Europe to help offset the coal shortages and transition the industry to renewable energy sources. Recently, Europe has been experiencing a power crisis due to dwindling natural gas supplies, made even direr with the potential conflict between Russia and Ukraine which could shut off the flow of much-needed Russian natural gas to the region. The tailwinds within the sector continue to be driven by renewable energy as the environmental concerns of emission levels have shifted from traditional electricity generation methods to renewable power options which are expected to continue.
SECTOR COMMENTARY

Brookfield Infrastructure (TSX: BIP) returned 26.86% in 2021. During the year, Brookfield continued to strategically expand to grow its high-quality portfolio and capitalize on the emerging trends within the data, transportation, utilities, and midstream segments. The data segment contributed positively to the returns over the year as the company was well-positioned for the global 5G transition with its investments in global telecommunications infrastructure. With the emerging 5G growth, BIP plans to spend approximately $600 million over the next five years on building additional telecom towers in Europe, the U.K. and India which will contribute to positive returns in the data segment. The company has recently been focusing on the growth of its midstream segment in order to create opportunities to capitalize on the energy transition which is reflected through the successful acquisition of Inter Pipeline Ltd. for $10.95 billion. As for the transportation segment, it continued to benefit from organic growth and recovery from the effects of the shutdowns. The utilities segment remained the stable cash flow generator over 2021. Even with the sale of its district energy business, the initial contributions from the European residential infrastructure business acquisition were able to offset the loss of revenue caused by the sale of the operation and lead to revenue growth during the year. With Brookfield’s diverse asset base and continued development in emerging infrastructure opportunities, our conviction remains strong that the company will be able to generate significant returns for the fund.

Northland Power Inc. (TSX: NPI) returned -14.48% in 2021. The year has been difficult for the renewables sector as the expectations of higher interest rates caused a large sell-off of renewables-focused stocks since they are very debt intensive. Despite this major setback for the sector, Northland posted superior returns compared to the renewables sector as a whole, and provided superior returns over the much larger, Brookfield Renewable Partners. In the summer of 2021, Northland acquired a large portfolio of onshore solar and wind assets in Spain which was in line with its desire to pursue a robust onshore renewables asset base for more stable cash flows. The investment has been a major boon to Northland, as it helped mitigate the effects of lower profits from the offshore wind segment mainly attributable to unusually low amounts of wind resources throughout the year. Northland has also implemented its green financing framework in early 2021, which allows Northland to take advantage of lower interest rates through the issuance of green bonds and other financial instruments. This should help mitigate some of the effects of higher interest rates and we expect that Northland will continue to take full advantage of this framework in the future. The initiative has already been implemented on a number of Northland’s current projects, with onshore wind projects in New York and the Helios solar project in Colombia receiving green financing. Northland also continued its heavy investment into offshore wind in March of 2021, with the acquisition of a 49% stake in the Baltic Power offshore wind project and securing a 25-year contract for difference with the government of Poland in order to guarantee a rate of return. Given the circumstances, Northland performed quite well in 2021, and looking ahead into early 2022, we expect Northland to have strong offshore wind performance with denser winter winds and the realization of higher energy prices in Europe due to its ongoing energy shortage.
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 March 2000, the fund has outperformed in 12 of the last 22 years, yielding a CAGR of 9.14%. In comparison to the benchmark, the PRIME Fund has outperformed the Index on average by 2.73% annually since inception.

Figure 13 | PRIME Fund performance since inception

Figure 14 | 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 conviction more accurately. The fund continues to look for companies with favourable valuations which adhere to the GARP mandate. Since the maximum sector allocation constraint of 25% was lifted, the fund has increased its allocation to the Financials sector, which has significantly altered the composition of the portfolio. In the coming months, we look to examine all sectors in the portfolio and their relative weighting to determine which require the most adjustments going forward in order to best serve our client.
FUND ANALYSTS

Communication Services, Info Tech and Utilities

Theresa Buis
Theresa is a third-year Bachelor of Commerce student with a major in Finance and a minor in Accounting. As one of the two analysts for the Information Technology, Communications Services, and Utilities sector, she is looking forward to working with fellow analysts, managers, and mentors to grow her knowledge of various industries. This summer, Theresa is working as an Investment Banking Summer Analyst at BMO Capital Markets. Following graduation, Theresa hopes to obtain her CFA designation 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 third-year Bachelor of Commerce student with a major in Finance and a minor in Accounting. He is one of two analysts 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. In the upcoming summer, Kent will be joining 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 third-year Bachelor of Commerce student with a major in Finance and minor in Operations Management. She is the analyst for the Consumers and Health Care sector and is excited to develop her industry knowledge and skills alongside her peers. This summer, Hania will be joining Tudor, Pickering, Holt & Co. as an Investment Banking Summer Analyst. Upon graduation, she plans to obtain her CFA designation and hopes to pursue a career in Capital Markets. In her free time, Hania enjoys learning languages, watching sports, and playing the trombone.

Energy

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

Liam Martindale
Liam is a third-year Bachelor of Commerce student with a major in Finance and a minor in Mathematics. He is one of the two analysts for the Energy sector this year and is eager to further his portfolio management and investment analysis abilities alongside his program peers. Next summer, Liam will work as an Investment Banking Summer Analyst at Barclays. After graduation, he hopes to obtain his CFA designation and pursue a career in Capital Markets. In his spare time, Liam enjoys playing the piano, running, and travelling.
**Fund Analysts**

**Financials and Real Estate**

**John Cleiren**
John is a third-year Bachelor of Commerce student with a specialization in Finance and Accounting working towards a Certificate in Real Estate. As one of two analysts in the Financials and Real Estate sector, John enjoys working in a team and developing his skills surrounding analysis and financial modeling. This summer, John is working as a Summer Investment Banking Analyst at TD Securities in Calgary. Post-graduation, John plans to pursue his CFA designation and a career in Finance. Outside of school, John is interested in fashion, skiing, investing, real estate, and playing golf, hockey, and basketball with his friends.

**Madison Randhawa**
Madison is a third-year Bachelor of Commerce student with a major in finance. She is one of two analysts for the Financials and Real Estate 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 summer, Madison will be working for RBC as a Global Investment Banking Summer Analyst in the Energy sector. After graduation, Madison hopes to obtain her CFA designation and plans to pursue a career in Capital Markets. Outside of academics, Madison enjoys camping, running, spending time with friends, and travelling.

**Industrials**

**Jake Kim**
Jake is a third-year Bachelor of Commerce student with a major in Finance. He is the analyst for the Industrials sector and is looking forward to furthering his knowledge in the industry as well as developing skills around financial modelling and investment analysis. This summer, Jake is working as a Summer Analyst at Hugessen Consulting in Calgary. Upon graduation, Jake plans to obtain a CFA designation and pursue a career in Finance. Apart from school, Jake enjoys running, golfing, football, and investing.

**Materials**

**Jackson Gylander**
Jackson 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 excited to work with the PRIME team to further his understanding of the Materials sector as well as develop skills in equity research and portfolio management. Jackson is looking forward to working as an Investment & Corporate Banking Summer Analyst with National Bank Financial Markets in the summer. After graduation, he hopes to pursue a career in Capital Markets and work towards a CFA designation. Outside of school, Jackson enjoys gold panning, hiking, and target & skeet shooting.

**Megan McKee**
Megan is a third-year Bachelor of Commerce student with a major in Finance. She is one of two analysts for the Materials sector this year and is looking forward to working with the other analysts and managers to expand her industry knowledge and develop investment analysis skills. This summer, she is excited to be working as an Investment Banking Summer Analyst for Tudor, Pickering, Holt & Co. in Calgary. After graduation, she intends to pursue her CFA designation alongside a career in Capital Markets. In her spare time, Megan enjoys working out, cooking, watersports, and travelling.
Steven Liu
Steven is a fourth year Bachelor of Commerce student with a major in Finance and in International Business. He is the Manager for the Information Technology, Communications Services, and Utilities sector, and he is looking forward to expanding his knowledge of each industry while working with his fellow managers as well as the new analysts this year. Steven is currently a business analyst for AlphaLayer, a joint venture between AIMCo and AltaML. Upon graduation, he hopes to obtain his CFA designation and pursue a career in Capital Markets. Outside of school, Steven enjoys playing volleyball, watching basketball, traveling, and listening to podcasts.

Liam Darbellay
Liam will be completing his final year of the Bachelor of Commerce program, with a major in Finance and a minor in Operations Management. He is the sole manager for the Consumers and Health Care sector and is looking forward to growing the portfolio while working alongside the other managers and new analysts. With previous experience at Nutrien, Liam plans to obtain his CFA designation and pursue a career in Capital Markets. Apart from school, Liam enjoys exercising, playing golf and going camping.

Hunter Boyer
Hunter is completing the fourth year of his Bachelor of Commerce degree with a major in Finance. He is one of two managers responsible for the portfolio’s exposure to the Energy sector. Hunter is keen to earn his CFA designation and pursue a career in Capital Markets upon graduation. In addition to academics, he is also passionate about competing in business case competitions. In his spare time, Hunter enjoys skiing, sport fishing, and completing various DIY projects.

Jaskaran Singh
Jaskaran is in the final year of his Bachelor of Commerce degree with a major in Finance and a minor in Accounting. He is one of the two Managers for the Energy sector and is looking forward to expanding his knowledge in investment management alongside his peers. This winter term, Jaskaran is working as a Winter Analyst in the Infrastructure and Renewable Resources team at British Columbia Investment Management Corporation (BCI). Upon graduation, he hopes to pursue a CFA designation and a career in Capital Markets. In his spare time, Jaskaran enjoys playing cricket, hockey, reading, travelling, and spending time with friends.
FUND MANAGERS

Financials and Real Estate

**Braden Bourgeois**
Braden is a final-year Bachelor of Commerce student with a major in Finance and a minor in Economics. He is one of the two Managers for the Financials and Real Estate sector this year. Braden looks forward to continuing to expand his knowledge of the industry while working with the other managers and analysts. This summer he will be working with the federal government in an audit role. After his graduation, Braden plans to obtain his CFA designation and pursue a career in Capital Markets. Besides school and work, Braden enjoys participating in campus intramurals, cooking, hockey, watersports, and spending time with friends.

**Justin Martin**
Justin is a final year Bachelor of Commerce student with a major in Finance and a minor in Accounting. He is one of the two Managers for the Financials and Real Estate sector. Justin is looking forward to developing his knowledge of portfolio management and working with the other Analysts and Managers. Justin hopes to obtain a CFA designation after graduation and pursue a career in Capital Markets. In his free time, Justin enjoys golfing, snowboarding, surfing and playing hockey.

Industrials

**Shyam Srinivasan**
Shyam is a final year Bachelor of Commerce student with a major in Finance and a minor in Operations Management. He is the Manager for the Industrials sector, and is looking forward to working with his fellow Managers and the Analysts. Last summer, Shyam worked as a Summer Analyst at Hugessen Consulting, and upon graduation, he will be working as a Debt Capital Markets Analyst at ATB Capital Markets. Outside of PRIME, he enjoys playing tennis, golfing, hiking, cooking, and traveling.

Materials

**Connor Boyko**
Connor is in his fourth year of the Bachelor of Commerce program, with a major in Finance. He is one of the two managers for the Materials sector and is excited about the opportunity to work alongside the new analysts as well as the other managers. This past summer, Connor worked as an Investment Banking Summer Analyst at BMO Capital Markets, where he will be returning full-time after graduation. Outside of school, he enjoys camping, skiing, and spending time with family.

**Brett Creech**
Brett is a fourth year Bachelor of Commerce student with a major in Finance and a Certificate in Real Estate. He is one of two managers for the Materials sector this year. He is excited to work with the other managers to develop portfolio management skills and introduce the new analysts to their respective sectors. This past summer, Brett worked as an Investment Banking Summer Analyst at National Bank Financial Markets and is eager to return as an Investment Banking Analyst post-graduation. In his free time, Brett enjoys spending time with friends, golfing, skiing, and watching hockey.
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 close to 200 alumni. 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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For more information on PRIME or future reports, please visit:  
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