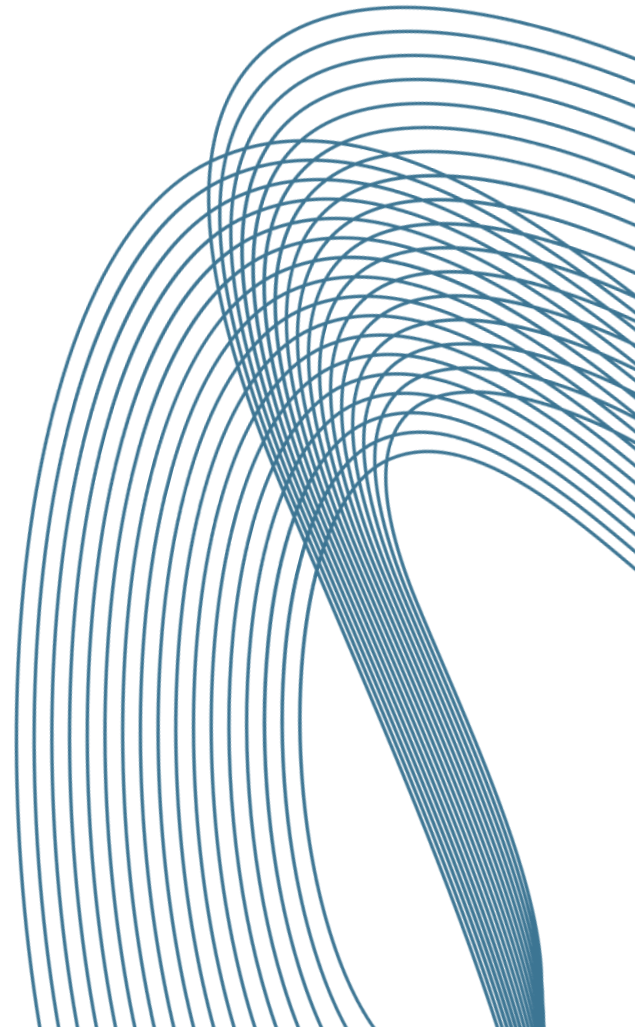


*Mount Royal University*

# Student Investment Fund Performance Report

Fourth Quarter and Full Year 2023



## Performance

The Mount Royal University Student Investment Fund is pleased to present our performance for the fourth quarter of 2023 and the full year 2023. The Student Investment Fund ("SIF") initiated operations in Q4 of 2021. The tables below detail the quarterly performance of the Fund over the previous seven quarters, as well as the performance of the Fund over the last three calendar years. The SIF's current investment universe is the S&P TSX60 Total Return Index, which serves as the benchmark index for performance comparison. All return values were calculated using the modified Dietz formula.

### Quarterly Returns

	Q2/22	Q3/22	Q4/22	Q1/23	Q2/23	Q3/23	Q4/23
SIF	(7.8%)	1.3%	2.1%	2.7%	0.7%	(0.7%)	5.7%
S&P TSX60 (TR)	(12.6%)	(1.7%)	5.6%	4.1%	1.5%	(2.5%)	8.8%

### Annual returns

	2021*	2022	2023
SIF	(0.6%)	3.8%	8.7%
S&P TSX60 (TR)	24.4%	(6.3%)	11.5%

\*The SIF initiated operations in October of 2021

The SIF's portfolio started the fourth quarter with a market value of \$279,158.65 on October 1, 2023, and ended the quarter at \$294,289.22 on December 31st, 2023. During Q4, the Fund received \$1,789.89 in dividends, which were subsequently reinvested through our dividend reinvestment plan (DRIP). For the full year, the SIF's portfolio commenced with a market value of \$268,604.58, boosted by a substantial cash donation received near the end of 2022. Throughout 2023, the Fund did not receive additional donations. \$6,701.77 was collected in dividends over the course of the year.

## Q4/23 Investment Environment

In Q4, the TSX60 experienced significant fluctuations, hitting a yearly low on October 27th before rallying to achieve new 52-week highs by the year's end. Market sentiment underwent a rapid shift as consensus emerged that interest rate hikes had peaked, leading to speculation about future cuts. The Bank of Canada maintained interest rates at 5% during both its October and December press releases, citing a slowdown in national inflation. Yields on 10-year treasury bonds reached a peak in late October at approximately 5%, before settling around 3.5% by the end of the quarter.

In the U.S., markets also surged towards the year's close, with mega-cap technology stocks driving the S&P500 and Nasdaq to new 52-week highs. Companies with high multiples, such as NVIDIA, experienced significant stock appreciation, with its shares increasing by 239.02% over the calendar year. While these American companies fall outside of SIF's investment scope, it is important to acknowledge the broader shift in market risk appetite. Closer to home, Shopify Inc., buoyed by a better-than-expected earnings report, witnessed a 48.13% increase in Q4.



## SIF Q4/23 Performance

### SIF Leaders and Laggards Q4/23

Q4/23 Leaders	Q4/23 Share Price Return	Q4/23 Laggards	Q4/23 Share Price Return
Brookfield Corp	25.15%	First Quantum Minerals Ltd	(66.19%)
Brookfield Asset Management	17.59%	Tourmaline Oil Corp	(12.82%)
Constellation Software Inc	17.16%	Nutrien Ltd	(11.00%)
Thomson Reuters Corp	16.59%	Teck Resources Ltd	(4.19%)
Canadian National Railway Co	13.23%	Canadian Natural Resources Ltd	(1.17%)

During Q4, the SIF encountered a significant downturn with one of our holdings in the materials sector, First Quantum Minerals Ltd. (FM.TO). First Quantum experienced a drastic 66% decline in market value following their Q3 report, which disclosed challenges related to the Cobre Panama mine. This mine stands as the company's premier copper asset, contributing approximately 46% of its revenue. Protests erupted in Panama in March 2023 after the ruling party announced intentions to renew contracts associated with Cobre Panama's operation over the next 20 years. Environmental activists, as well as Panamanian nationalists, initiated litigation against First Quantum and the related contracts, appealing to Panama's Supreme Court on the grounds of constitutional sovereignty over Panama's environmental assets. In late December 2023, the Supreme Court ruled in favour of the complainants, leading Panama's Ministry of Commerce, and Industries to pursue a closure plan for Cobre Panama. This plan is slated for presentation to First Quantum and their subsidiary MPSA in June 2024.

Rather than liquidating at a 50% loss, we made the strategic decision to double our position in the company. Consultations with several industry professionals guided our decision, which we believe aligns with our long-term strategy. The SIF is in agreement that the value inherent in First Quantum's remaining assets provides viable copper exposure for the portfolio.

Commodity prices experienced a decline during the quarter, particularly affecting natural gas due to unseasonably warm fall weather and oil prices due to market oversupply. These developments directly impacted our energy holdings adversely. However, despite some losses in the portfolio, several equities rallied. Notably, our Brookfield holdings demonstrated robust performance in the third quarter, with increased revenues and cash flow reported by our equity holdings. Given the persistent inflationary environment, characterized by inflation rates exceeding the Bank of Canada's target of 2%, Brookfield's inflation-linked revenue streams are poised for strong growth in the upcoming years, leading to heightened demand for alternative assets. Brookfield's access to deployable capital, particularly significant in a quarter marked by elevated interest rates, enabled investments in its best-performing alternative assets. This increased demand, combined with the overall market rally at year-end, positioned Brookfield Corp and Brookfield Asset Management as leaders in price returns for the quarter.

## SIF Q4/23 Activities

Since the inception of the SIF, our team has been diligently focused on acquiring undervalued equities within our index benchmark. Over the course of two years, we successfully built a fully diversified portfolio across various sectors within the TSX60. Building upon this achievement, during Q4 the fund made the strategic decision to reduce our cash position from 30% to 10% by reallocating capital into existing securities at their predetermined weights. This adjustment, implemented on November 6th, enabled us to capitalize on the end-of-year rally in the market.

Throughout the semester, we conducted thorough evaluations of our positions, including listening to pitches on Scotiabank, Teck Resources, Enbridge, and Tourmaline. Following careful consideration, we decided to divest our Scotiabank stock due to its recent performance and challenging headwinds. Additionally, pitches were presented on Fortis, Bank of Montreal, Sunlife, Imperial Oil, and Gildan. After comprehensive analysis, we opted not to add these to our portfolio, as doing so would require removing securities that we believe are better positioned to generate alpha.

### SIF Q4/23 Sector Attribution

Sector	Weight	Attribution
Energy	18.28%	(0.23%)
Information Technology	7.54%	0.60%
Consumer Staples	6.17%	0.96%
Industrials	11.94%	1.42%
Materials	6.76%	(2.07%)
Cash Equivalent	10.90%	0.15%
Financials	33.34%	4.51%
Cash	0.19%	0.00%
Utilities	3.22%	0.41%
Real Estate	0%	0.00%
Communication Services	1.67%	(0.05%)
Health Care	0%	0.00%
Consumer Discretionary	0%	0.00%
<b>Total</b>	<b>100%</b>	<b>5.70%</b>

The Fund's performance in Q4 was significantly impacted by the robust market rally that concluded the quarter. Underperformance compared to the benchmark was primarily attributable to heavy losses incurred in the Materials sector, largely due to First Quantum Minerals, as well as the deployment of the fund's cash position at the beginning of November. While this deployment enabled the fund to mitigate larger losses on its newly acquired position in the Communications sector, it also resulted in missing the full positive returns in sectors such as Utilities and Industrials.

## Sector Movement Between Quarters Within Portfolio.

Sector	Weight		
	Q3/23	Q4/23	Change
Cash & Equivalents	33.50%	11.09%	(22.41%)
Financial Services	24.70%	33.34%	8.64%
Energy	14.70%	18.28%	3.58%
Materials	8.50%	6.76%	(1.74%)
Information Technology	3.80%	7.54%	3.74%
Industrials	6.70%	11.94%	5.24%
Consumer Staples	8.10%	6.17%	(1.93%)
Communication Services	0%	1.67%	1.67%
Utilities	0%	3.22%	3.22%
Consumer Discretionary	0%	0%	0.00%
Real Estate	0%	0%	0.00%
Health Care	0%	0%	0.00%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

As mentioned earlier, during the fourth quarter, the Fund allocated much of its cash position into existing holdings to meet the allocation targets established at the end of the third quarter (refer to Sector Weightings on December 31 for target weightings). This investment of cash into our pre-existing holdings brought our sector weightings closer to the benchmarks' allocations, resulting in increases in most of our sector weightings. Our Materials sector witnessed a decrease in its weighting due to underperformance, while our Consumer Staples weighting decreased as holdings in that sector outperformed in previous quarters, necessitating a rebalance to align with benchmark weights. The Fund is invested in nine of the eleven sectors available in the investment universe and will continue to monitor its current holdings and assess future opportunities in each sector.

## SIF 2023 Performance

### 2023 Investment Environment

The investment landscape of 2023 was characterized by the impact of high-interest rates, which caused turbulence across various sectors. Particularly affected were the financial sector and high dividend-paying equities, as investors gravitated towards safer assets. The year began with the Bank of Canada hiking interest rates 25 basis points during the first meeting in January. This marked the eighth consecutive rate hike, raising the standard rate to 4.5%, reflecting the Bank of Canada's efforts to curb the rampant inflation experienced in FY22. Subsequent consecutive 25 basis point hikes in June and July elevated rates to 5% for the remainder of the year.

Consumer Price Index (CPI) rose by 1.2% after reaching a yearly low in June, sparking investor fears of further rate hikes and leading to a sharp sell-off in equities. Despite FY23 averaging CPI levels 2.91% lower than FY22, inflation remained a challenge for the Bank of Canada. FY23 commenced with CPI levels at 5.9%, before responding to the 25 basis points hike in January with a reported 5.2% in February. CPI gradually trended downwards thereafter, reaching a low of 2.8% in June. Towards the end of the year, we observed recovery in our high dividend holdings BCE Inc. and Enbridge, which rallied during October.

As the Bank of Canada and the Federal Reserve aimed to maintain rates at similar levels, sentiment towards equities shifted. The financial sector also benefited from this sentiment shift, with National Bank appreciating by roughly 18% since the beginning of October and Royal Bank experiencing a similar increase of 14%.

In 2023, energy prices displayed relatively lower volatility compared to the previous fiscal year, although persistent geopolitical issues such as the conflict in Ukraine continued to impact the market. Sanctions imposed on Russian crude further intensified demand for Saudi oil, particularly in Europe and other regions. July witnessed a notable global oil supply reduction as Saudi production decreased, coinciding with peak crude oil demand during the height of summer air travel. This confluence of events propelled WTI crude prices to \$84.28 in August and peaked at \$93.94 in September, subsequently driving the Consumer Price Index (CPI) to 4% and 3.8%, respectively. These market conditions proved advantageous for our holdings in Canadian Natural Resources.

Throughout the year, uncertainty surrounding the Chinese economy persisted, with momentum exhibiting signs of deceleration, leading to diminished demand in later months. In contrast, US crude oil production soared to all-time highs in 2023, serving as the cornerstone for non-OPEC+ production and offsetting Saudi production cuts. Consequently, despite escalating tensions in the Middle East, oil prices moderated towards the end of FY23, stabilizing within the range of \$70 to \$80.

On the other hand, natural gas prices have traded approximately 80% lower than the highs seen in FY22, with significantly reduced volatility. Concerns regarding the Russian natural gas supply, prominent in FY22, have largely diminished. Inventories in the United States have remained robust due to an unusually warm winter, while natural gas production has reached record levels in 2023. Consequently, natural gas prices have fallen to levels not seen since September 2020. As a result, Tourmaline has emerged as one of our top 5 laggards.



## SIF Leaders and Laggards 2023

2023 Leaders	2023 Share Price Return	2023 Laggards	2023 Share Price Return
Constellation Software Inc	55.41%	First Quantum Minerals Ltd	(61.65%)
Brookfield Asset Management	37.27%	Nutrien Ltd	(24.48%)
Thomson Reuters Corp	25.42%	Bell Canada Enterprises Inc	(12.30%)
Brookfield Corp	24.82%	Enbridge Inc	(9.86%)
Canadian Natural Resources Ltd	15.45%	Tourmaline Oil Corp	(5.19%)

The Fund experienced significant fluctuations in its portfolio due to both leaders and laggards in the investment environment of 2023, characterized by volatility in the macro environment. First Quantum Minerals emerged as one of the portfolio's key laggards, plummeting by 61.65% from January 1, 2023, to December 31, 2023, reflecting the challenges faced by FM's stock during the year.

Another notable laggard for the SIF in fiscal year 2023 was Nutrien Ltd (NTR.TO), declining by 24.48%. Nutrien's Q3 earnings report revealed a decrease in year-over-year EBITDA in key retail products, nitrogen, and potash. Despite achieving record potash sales volumes in 2023, EBITDA suffered year-over-year declines due to the inability to match the commodity price highs of FY22. Moreover, stable yet low natural gas prices have exerted downward pressure on realized fertilizer prices for Nutrien's retail products and nitrogen inputs. While market sentiment toward Nutrien may have been subdued due to the disparity in financial performance compared to the robust FY22, the company's core business remains resilient and continues to expand, marked by record potash sales volumes. In the first nine months of 2023, Nutrien returned a substantial \$1.8 billion to shareholders through buybacks and dividends, while maintaining a steady 4% dividend payout. Despite prevailing market sentiments, Nutrien remains steadfast in its commitment to creating value for shareholders and solidifying its position as a cornerstone in global agriculture.

Constellation Software Inc. (CSU.TO) continues to demonstrate robust positive returns driven by its vertical integration strategy. Focused on acquiring businesses with strong growth potential and nurturing them into successful enterprises generating significant cash flows, CSU's strategic approach underscores its ability to capitalize on opportunities within its target markets.

While the SIF did not include certain TSX60 components in its portfolio, some of these stocks performed exceptionally well in 2023. For instance, Cameco Corporation, not currently a part of the fund, experienced an impressive 86% increase in its stock value, while Shopify soared by 119%. Although Cameco Corporation was not initially considered for inclusion in the portfolio as the focus was primarily on oil and gas producers, the Fund anticipates evaluating a potential investment in the company during Q1 2024. In contrast, Shopify was evaluated during Q1 2023 but was rejected due to its high multiples and extreme volatility characteristics.

## Sector Weightings as at December 31, 2023

Sector	Weight		
	SIF	TSX60	Target*
Cash & Equivalents**	11.09%	0%	10.00%
Financial Services	33.34%	35.10%	30.42%
Energy	18.28%	17.00%	20.25%
Materials	6.76%	9.20%	7.29%
Information Technology	7.54%	9.60%	7.38%
Industrials	11.94%	12.60%	11.10%
Consumer Staples	6.17%	4.40%	6.30%
Communication Services	1.67%	4.30%	1.80%
Utilities	3.22%	3.20%	2.88%
Consumer Discretionary	0%	3.90%	2.25%
Real Estate	0%	0.70%	0%
Health Care	0%	0%	0%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

\*Target Weightings as of Dec. 31<sup>st</sup>, 2023.

\*\*Cash & Cash Equivalents are held in NBC200 NBI Altamira Cash Performer Account Series F, which has an annual interest rate, as of Dec.31<sup>st</sup>, 2023, of 4.38%.

With much of its cash position deployed, the Fund has adjusted sector weightings to align more closely with the desired targets outlined in the table above. Sectors such as Consumer Discretionary and Real Estate, which had zero weightings, were omitted from the portfolio due to the Fund's outlook on the general economy and less favourable investment opportunities within the sectors. Although a target weight has been designated for the Consumer Discretionary sector, the Fund's analysis of current investment opportunities in this area has not identified suitable choices.

The Fund has opted to maintain an overweight position in Energy and Consumer Staples, anticipating continued strong performance and robust returns from investments in these sectors. Discussions regarding target weightings in the portfolio are scheduled to be revisited in the first quarter of 2024. The Fund aims to fully deploy its remaining cash position before the conclusion of the academic year at the University.

### Respectfully Submitted by 2023/24 SIF Team:

Brett Bernard	Zach Eliason	Abel Ghebremicael	Goc Goc
Melina Illodo	Carly Martin	Mack McCruden	Shane McPherson
Adrian Morrison	Cole Rapaich	Dominic Schmiemann	Gabriel Solis
Moritz Von Meyeren			





## Portfolio Snapshot (December 31, 2023)

Holdings							
Company		Sector	Quantity	Market Value	Book Value	Unrealized P/L (\$)	Unrealized P/L (%)
ALIMENTATION COUCHE-TARD	ATD.TO	Consumer Staples	142	\$ 11,080.26	\$ 8,721.64	\$ 2,358.62	27.0%
BANK OF NOVA SCOTIA	BNS.TO	Financials	192	\$ 12,384.00	\$ 15,152.34	-\$ 2,768.34	-18.3%
BELL	BCE.TO	Communication Services	94	\$ 4,903.98	\$ 5,053.44	-\$ 149.46	-3.0%
BROOKFIELD AST MGMT-A LVS	BAM.TO	Financials	286	\$ 15,220.92	\$ 12,726.54	\$ 2,494.38	19.6%
BROOKFIELD CORP CL-A LVS	BN.TO	Financials	276	\$ 14,669.40	\$ 15,325.18	-\$ 655.78	-4.3%
BROOKFIELD INFRASTRUCTURE	BIP.UN	Utilities	227	\$ 9,479.52	\$ 8,412.62	\$ 1,066.90	12.7%
CANADIAN NATIONAL RAILWAY	CNR.TO	Industrials	79	\$ 13,157.45	\$ 12,411.19	\$ 746.26	6.0%
CCL INDS INC-CL-B NV	CCLb.TO	Materials	74	\$ 4,409.66	\$ 4,856.58	-\$ 446.92	-9.2%
CDN NATURAL RESOURCES LTD	CNQ.TO	Energy	234	\$ 20,139.92	\$ 14,389.88	\$ 5,750.04	40.0%
CGI INC CL-A SUB VTG	GIBa.TO	Information Technology	110	\$ 15,614.50	\$ 13,367.26	\$ 2,247.24	16.8%
CONSTELLATION SOFTWARE	CSU.TO	Information Technology	2	\$ 6,570.54	\$ 5,221.70	\$ 1,348.84	25.8%
ENBRIDGE INC	ENB.TO	Energy	471	\$ 22,466.70	\$ 24,320.60	-\$ 1,853.90	-7.6%
FIRST QUANTUM MINERLS LTD	FM.TO	Materials	337	\$ 3,656.45	\$ 8,382.79	-\$ 4,726.34	-56.4%
INTACT FINANCIAL CORP	IFC.TO	Financials	79	\$ 16,104.94	\$ 15,451.54	\$ 653.40	4.2%
NATIONAL BANK OF CDA	NA.TO	Financials	193	\$ 19,493.00	\$ 19,177.54	\$ 315.46	1.6%
NUTRIEN LTD	NTR.TO	Materials	66	\$ 4,926.90	\$ 5,834.85	-\$ 907.95	-15.6%
ROYAL BANK OF CANADA	RY.TO	Financials	151	\$ 20,234.00	\$ 19,807.66	\$ 426.34	2.2%
TECK RESOURCES LTD -B- SV	TECKb.TO	Materials	123	\$ 6,889.23	\$ 4,546.05	\$ 2,343.18	51.5%
THOMSON REUTERS CORP-NEW	TRI.TO	Industrials	47	\$ 9,105.31	\$ 5,854.77	\$ 3,250.54	55.5%
TOURMALINE OIL CORP	TOU.TO	Energy	188	\$ 11,202.92	\$ 12,241.86	-\$ 1,038.94	-8.5%
WASTE CONNECTIONS	WCN.TO	Industrials	65	\$ 12,860.90	\$ 11,906.05	\$ 954.85	8.0%
WESTON GEORGE LIMITED	WN.TO	Consumer Staples	43	\$ 7,073.50	\$ 6,701.63	\$ 371.87	5.5%
Total Value of Equities				\$ 261,644.00	\$ 249,863.71	\$ 11,780.29	
NBI ALTAMIRA CASHPERFORM... NBC200				\$ 32,080.85			
Cash				\$ 564.37			
Total displayed on NB				\$ 294,289.22			
Total with "Cash"				\$ 294,289.22			

## Appendix 1: Account Transaction History Q4 2023

Settlement Date	Activity	Description	Quantity	Price (\$)	Net Amount (\$)
2023-11-06	Sell	ALIMENTATION COUCHE-TARD	-85	77.89	6620.65
2023-11-06	Sell	CCL INDS INC-CL-B NV	-10	54.92	549.2
2023-11-06	Sell	TECK RESOURCES LTD -B- SV	-21	50.52	1060.92
2023-11-06	Sell	THOMSON REUTERS CORP-NEW	-11	175.16	1926.76
2023-11-06	Sell	WESTON GEORGE LIMITED	-4	157.39	629.56
2023-11-06	Buy	BANK OF NOVA SCOTIA	19	58.21	-1105.99
2023-11-06	Buy	BCE INC	94	53.76	-5053.44
2023-11-06	Buy	BROOKFIELD INFRA PTNR LPU	227	37.06	-8412.62
2023-11-06	Buy	BROOKFIELD AST MGMT-A LVS	71	42.52	-3018.92
2023-11-06	Buy	BROOKFIELD CORP CL-A LVS	60	43.87	-2632.2
2023-11-06	Buy	CDN NATURAL RESOURCES LTD	52	92.67	-4818.84
2023-11-06	Buy	CANADIAN NATIONAL RAILWAY	18	150.59	-2710.62
2023-11-06	Buy	CONSTELLATION SOFTWARE	1	2864.6	-2864.6
2023-11-06	Buy	ENBRIDGE INC	68	46.02	-3129.36
2023-11-06	Buy	FIRST QUANTUM MINERLS LTD	130	15.62	-2030.6
2023-11-06	Buy	CGI INC CL-A SUB VTG	51	136.55	-6964.05
2023-11-06	Buy	INTACT FINANCIAL CORP	18	201.11	-3619.98
2023-11-06	Buy	NATIONAL BANK OF CDA	40	87.63	-3505.2
2023-11-06	Buy	NUTRIEN LTD	19	76.3	-1449.7
2023-11-06	Buy	ROYAL BANK OF CANADA	36	113.42	-4083.12
2023-11-06	Buy	TOURMALINE OIL CORP	78	73.77	-5754.06
2023-11-06	Buy	WASTE CONNECTIONS INC-NEW	65	183.17	-11906.05