WESTERN INVESTMENT CLUB

ANNUAL REPORT

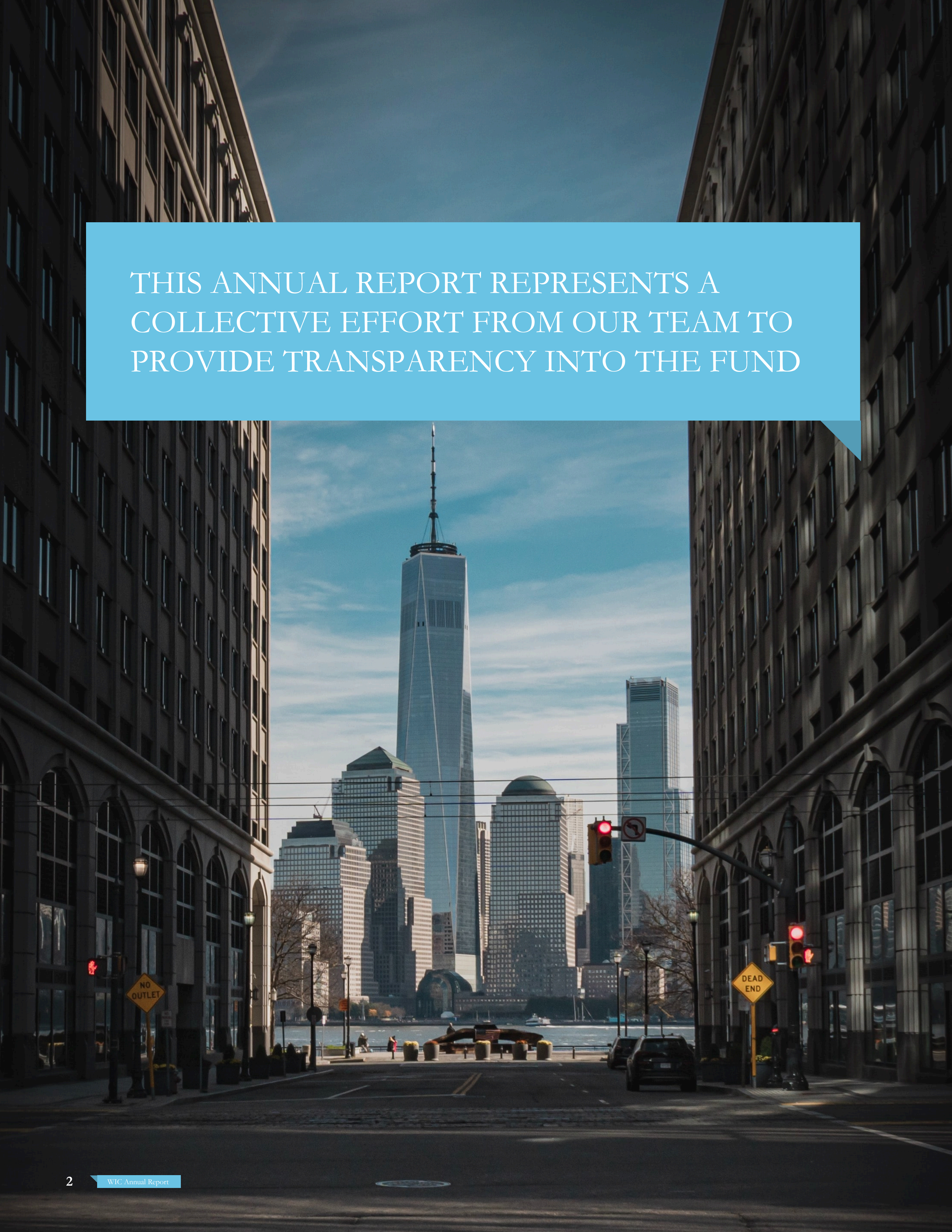
2021 / 2022

May 15th, 2022

www.westerninvestmentclub.ca

Our mission is to build interest in capital markets among young investors at Western University and teach the fundamentals of investing.

THIS ANNUAL REPORT REPRESENTS A COLLECTIVE EFFORT FROM OUR TEAM TO PROVIDE TRANSPARENCY INTO THE FUND



This annual report is dedicated to all the former members and alumni of the Western Investment Club. Without your hard work, WIC would not be possible.

CONTENT

Produced by Anthony Hua & Flora Sun

See back for important disclosures

FUND MANAGERS' STATEMENT

Dear fellow members and alumni, as the 2021-2022 academic year has concluded, we are excited to provide you with an update on WIC's progress. Since its inception in 1996, WIC has grown its AUM 11-fold through the invaluable contributions made from its member. Despite volatile market conditions, and a constantly evolving business environment, WIC has not wavered from its value investing principles, and it is this discipline that has allowed the club to thrive and continue to grow.

As of May 1st, 2022, we are managing a fund of $281,078 in assets under management. Since April 30th, 2021, WIC's fund has appreciated 5.7%. Despite a year of ongoing political headwinds, trade tensions, an oil crisis and a global pandemic, the team was able to make 10 new investments and sell 14 previously held positions.

Our investment philosophy today remains unchanged from the past: paying less than our estimate of a business' intrinsic value - regardless of whether intrinsic value is growing or diminishing. Historically, many of our ideas focused on mature, "steady-state" companies that had a narrow range of future outcomes. Our variant perception largely rested on the belief that the market misunderstood a business' competitive position, leading to depressed near-term multiples. Said another way, our view of the business' earnings power over the medium-term was the same as the market's. While we have enjoyed success in these types of ideas, the team has grown a greater appreciation for businesses that have a runway for future earnings power growth. This is not to say we have disregarded our valuation framework. In fact, incorporating different probabilistic scenarios into our calculation of intrinsic value has only become more important. For if we are wrong about the rate and duration of a business' growth, the impact on returns can be devastating. We believe that even when incorporating favorable and unfavorable scenarios into our valuation, the market has given us attractive entry points to purchase great businesses.

Aside from the fund itself, our club membership has continued to grow thanks to all of your support. This year, our club reached 800+ dedicated members, making us one of the largest clubs at Western University. We hope the club continues to strive to create a strong community of bright, passionate, and young investors at Western.

Thank you to the analyst team for their hard work, the researchers for their dedication, the alumni for their ongoing support, and Western's endowment for their continued help. As Fund Mangers, it is the opportunity to watch each member grow that provides us with immense satisfaction and we are excited to see the club continue to grow.

We find great comfort in the fact that there is a great group of leaders in the analyst team and general members, whom we hope will be stewards of the club and the fund in the future. Aidan Sommer and Roshan Puniya were two exceptional analysts on the club this year, who will be serving as Co-Fund Managers this upcoming year. We could not be prouder of their development as analysts and look forward to all that they accomplish.

Sincerely,
Anthony Hua & Flora Sun
Fund Managers, 2021 / 2022

Anthony Hua
Fund Manager

Flora Sun
Fund Manager

OUR ORGANIZATION

Our fund was officially created in 1996 with the generous donation of $25,000 from Mr. Cameron S. Marshman, in honour of his wife. Since then, we have managed it with a value investing philosophy. Mr. Marshman's wish was to educate and foster the next generation of investors at Western University by giving them a chance to invest real capital. Today, that donation has grown more than 1,000%.

FUND STRATEGY

WIC employs a bottom-up fundamental investing approach to every investment. Each idea begins with a screening process to find stocks that are trading below their intrinsic value. Our analysts then conduct an extensive research procedure to understand and evaluate the company. The process can sometimes take months for a single idea. WIC attempts to truly understand a company's valuation as well as the key drivers of its future growth potential before executing a trade. We believe that by conducting an exhaustive research process, we minimize the risk of unforeseen challenges.

For over 40 years, WIC has applied a disciplined approach to portfolio construction. Since all of our investments are high conviction ideas, we do not use beta diversification in our portfolio. However, we try to allocate capital evenly across our groups to find the best ideas within each industry. Lastly, each of our investments maintains a significant margin of safety to provide downside protection.

FIRMS REPRESENTED

ARES	Blackstone	EVERCORE
Goldman Sachs	HOULIHAN LOKEY	KKR
LionTree	MOELIS & COMPANY	Morgan Stanley
PJT Partners	Point72	SILVERLAKE

2021 / 2022 TEAM

EXECUTIVE


Jun Kim
Co-President


Anthony Hua
Fund Manager


Kate San
Co-President


Flora Sun
Fund Manager

ALUMNI ADVISORS

Charles Korn
CRG Advisor

Johnny Kim
HC Advisor

David Zhang
TMT Advisor

Kevin Zhou
RA Advisor

Jack Hansen
IND Advisor

Steven Lo
FIG Advisor

ADVISORY BOARD

Kevin Zhou
Advisor

Matthew Ting
Advisor

Harsh Naik
Advisor

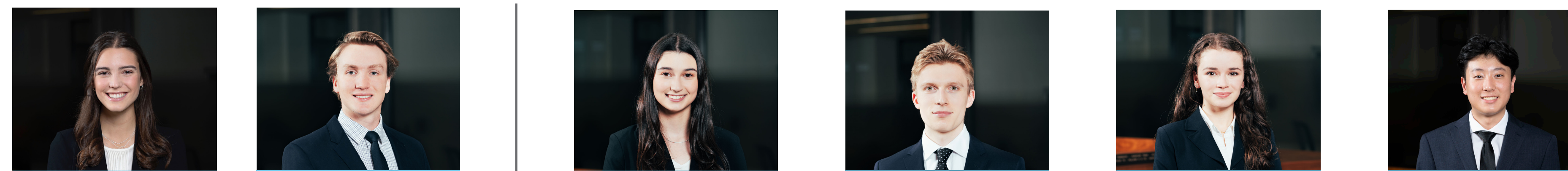
Vinayak Modi
Advisor

Andrew Kim
Advisor

Sam Tammen
Advisor

Fina Pang
Advisor

CONSUMER RETAIL


Emma Hristov
Head Analyst

Peter Matthews
Head Analyst

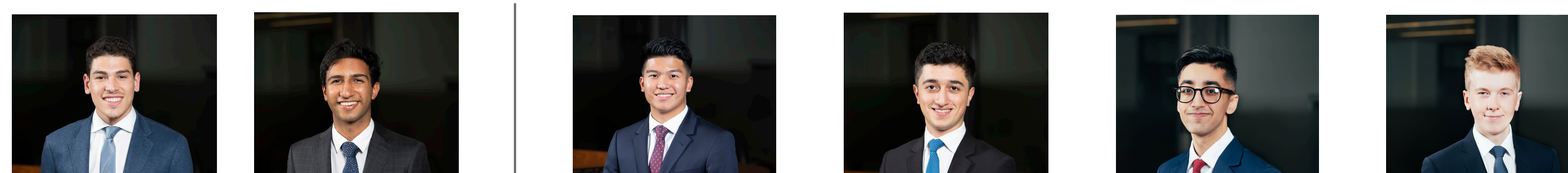
Chloe Macklin
Analyst

Aidan Sommer
Analyst

Ariana Ghavami
Junior Analyst

Geoffrey Xie
Junior Analyst

INDUSTRIALS


Sammy Fleisher
Head Analyst

Aryan Paliwal
Head Analyst

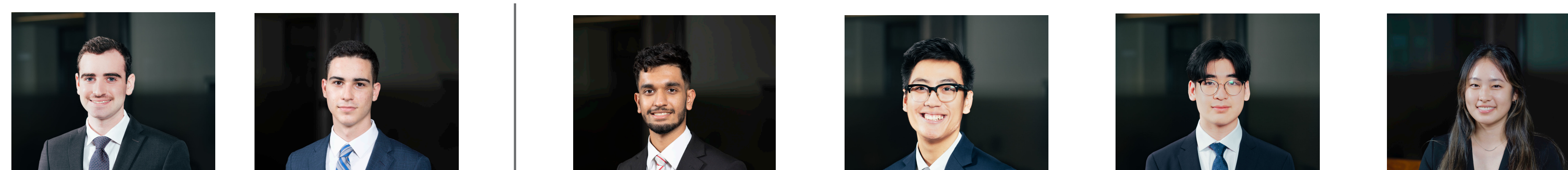
Justin Chan
Analyst

Waleed Sawan
Analyst

Ali Rashid
Junior Analyst

Nick Woollcombe
Junior Analyst

TECH, MEDIA & TELECOM


Roy Katznelson
Head Analyst

Nir Oyberman
Head Analyst

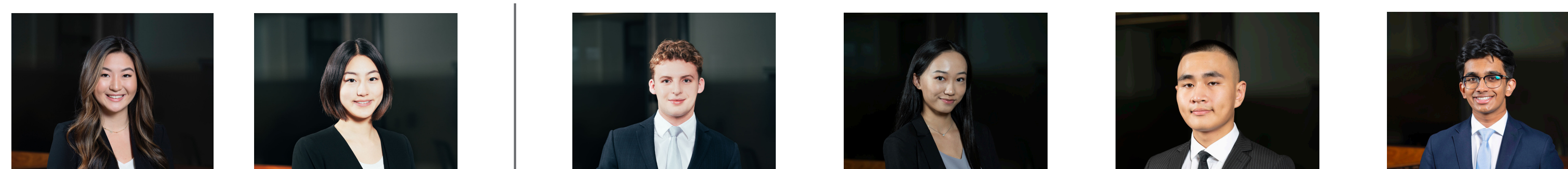
Roshan Puniya
Analyst

Max Wang
Analyst

Chenxi Li
Junior Analyst

Catherine Zhang
Junior Analyst

FINANCIAL INSTITUTIONS


Emily Li
Head Analyst

Jasmine Xing
Head Analyst

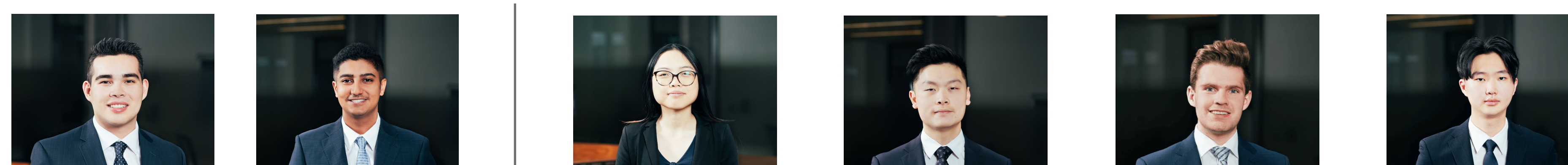
Jack Karpinski
Analyst

Megan Syho
Analyst

Brian Li
Junior Analyst

Manuja Weerasinghe
Junior Analyst

REAL ASSETS


Garrick Bracken
Head Analyst

Aleem Virji
Head Analyst

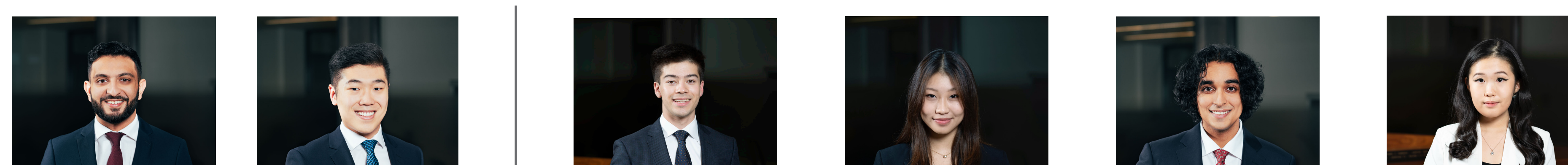
Amy Dong
Analyst

Edward Liu
Analyst

Gage Burchall
Junior Analyst

Benjamin Lee
Junior Analyst

HEALTHCARE


Aly Dayani
Head Analyst

Andrew Li
Head Analyst

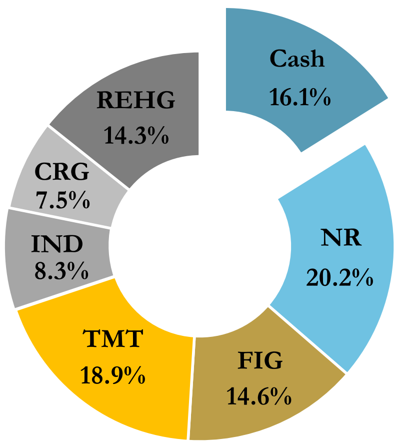
Alexander Golezny
Analyst

Jessica Yin
Analyst

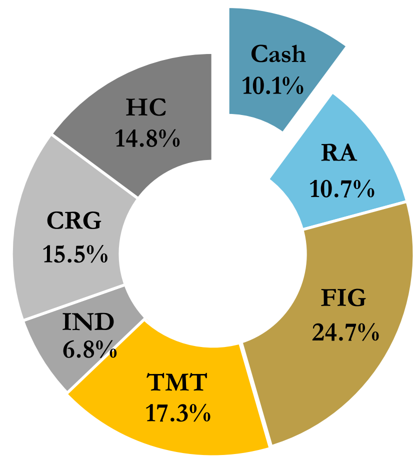
Dhruv Bhatt
Junior Analyst

Jessica Lee
Junior Analyst

PORTFOLIO
AT-A-GLANCE

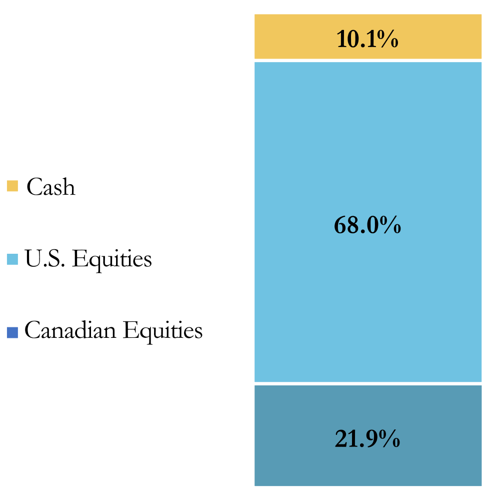


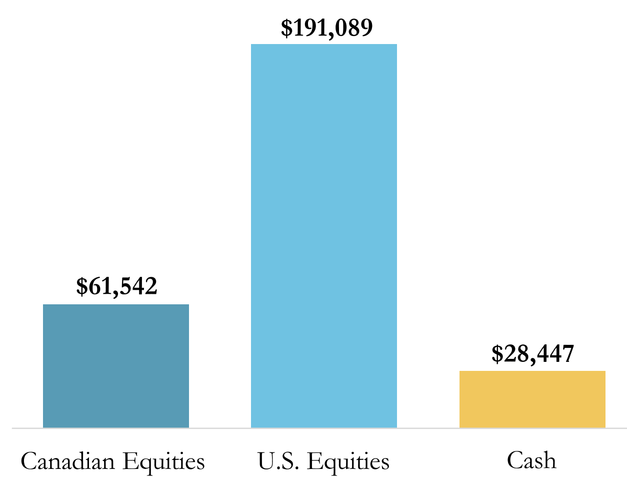
INDUSTRY ALLOCATION
APRIL 30TH, 2021



INDUSTRY ALLOCATION
MAY 1ST, 2022

Given the many opportunities identified throughout the year, WIC elected to dispose of 14 holdings and make 10 new investments across Healthcare, Technology, Financial Institutions, Consumer Retail, and Real Assets. We have also elected to deploy some of our cash in existing ideas given the low cash yield we are currently receiving. The Real Estate, Health, Gaming Group (REHG) and Natural Resources (NR) were reorganized this year into Healthcare (HC) and Real Assets (RA).





WIC's portfolio is comprised of cash, U.S. equities, and Canadian equities. The fund faces foreign exchange risk given significant U.S. equity holdings and no actions to hedge USD exposure. Cash is held in a Canadian dollar savings account allowing for immediate withdrawals.

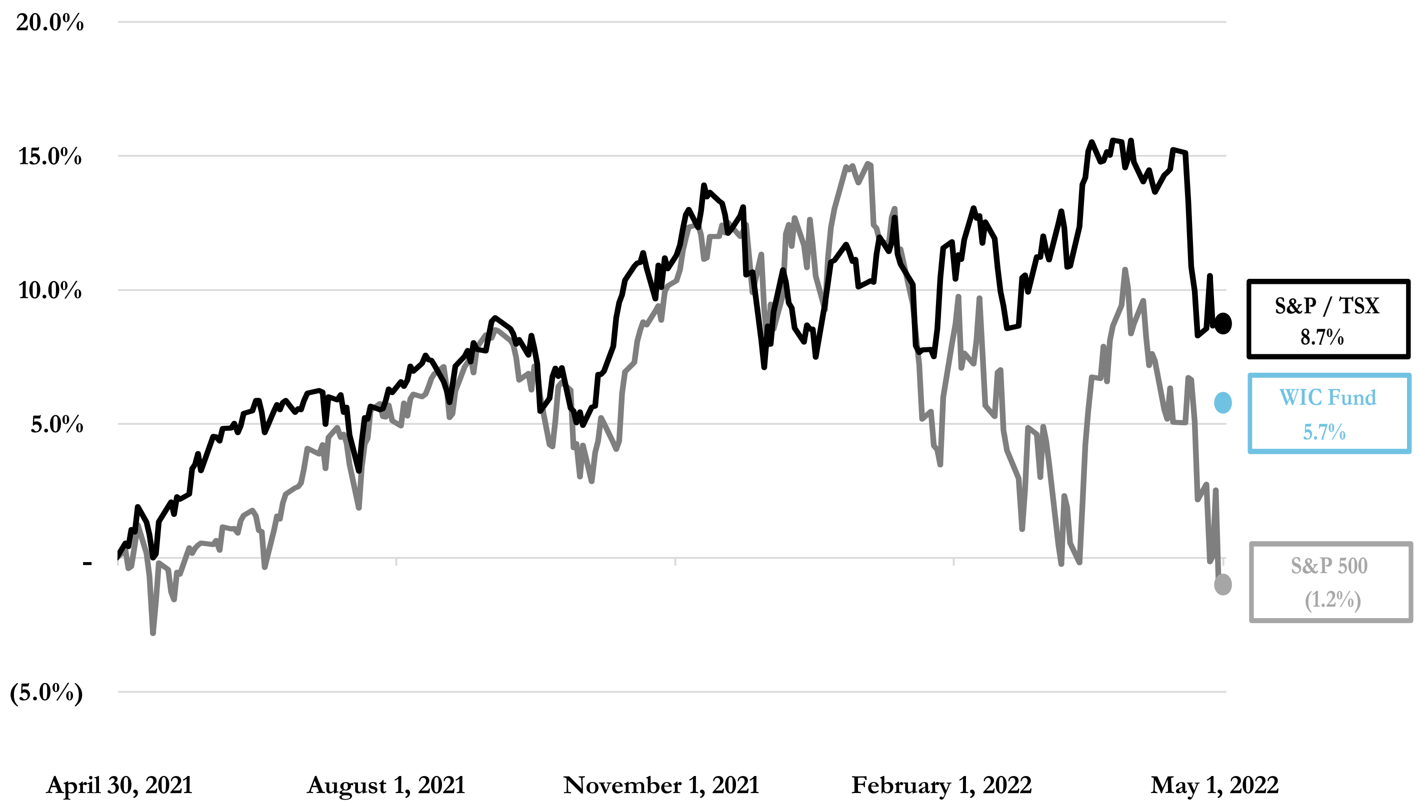
CURRENT HOLDINGS

Canadian Holdings	Symbol	Group	Entry Price
Aritzia	ATZ	CRG	$43.57
Artemis Gold Inc	ARTG	RA	1.08
Keg Royalties Income Fund	KEG.UN	CRG	10.70
Lundin Gold	LUG	RA	7.75
Magellan Aerospace	MAL	IND	18.75
Polaris	PIF	IND	23.42
Power Corp of Canada	POW	FIG	34.75
Suncor Energy	SU	RA	33.13
Toronto-Dominion Bank	TD	FIG	55.82

U.S. Holdings	Symbol	Group	Entry Price
Aercap	AER	IND	$70.92
Align	ALGN	HC	587.38
American Express	AXP	FIG	109.54
Berkshire Hathaway	BRK.B	FIG	135.23
Catalent	CTLT	HC	36.19
EZCorp	EZPW	FIG	8.83
Fiverr	FVRR	TMT	91.21
Fortinet	FTNT	TMT	161.77
GoDaddy	GDDY	TMT	106.15
HCA Healthcare	HCA	HC	120.88
Huntsman	HUN	IND	34.48
IIVI	IIVI	TMT	40.66
International Flavors and Fragrances	IFF	IND	152.86
KKR	KKR	FIG	71.65
Lumen	LUMN	TMT	17.85
Marathon Pretroleum	MPC	RA	104.44
NRG Energy	NRG	RA	49.56
Olaplex	OLPX	CRG	20.21
Radian	RDN	FIG	27.50
Radnet	RDNT	HC	28.14
Restoration Hardware	RH	CRG	623.83
Thor Industries	THO	CRG	191.68
Trecora Resources	TREC	RA	16.02
Trupanion	TRUP	FIG	110.69

WIC PRIDES ITSELF ON A RIGOROUS ANALYTICAL APPROACH TO EACH INVESTMENT DECISION

FUND
PERFORMANCE



Commentary

The 2021-2022 academic year was a volatile year for markets. The economic re-opening rally from the prior year continued with indices reaching all-time highs. However, the war in Ukraine quickly erased much of the gains at the start of 2022. As inflation began dominating headlines again, investors flocked to cash-generative businesses with healthy balance sheets. Companies that pursued a "growth at all costs" strategy were quickly forced to change course, which in many cases led to signification workforce layoffs. As investors focused on business fundamentals, WIC continues to seek opportunities where dislocations occur between the market price and a business' cash generation. Although macro headlines will likely drive stock movements over the next year or two, we believe our portfolio of businesses will outperform over the medium to long term.

The WIC fund returned 5.7% in the same period. Despite the relative underperformance to the TSX Composite, we are proud of our team's performance and research given the volatile environment. Our fund's outperformance is in part due to our ~80% gross exposure during the first half of the year. As prices began to fall at the start of 2022, we deployed some of this capital into attractive opportunities. Although WIC does not aim to "time the market", our past cash strategy has proven to be prudent. As always, we continue to strive to improve our analysis of companies through deep and unique research and use volatility to deploy capital in high margin of safety investments.

CONSUMER RETAIL GROUP
INDUSTRY REVIEW

Opening Statement

The end of 2021 was characterized by increased optimism and demand for consumer goods and services. During this time, the S&P 500 Retail Index rose by 10% as consumers were eager to spend accumulated disposable income, particularly on services that were made available following the easing of pandemic restrictions. Beginning 2022, durable consumer demand, supply chain disruptions, and political conflicts arising from the Russo-Ukrainian War put the economy on its back foot, all of which fueled unprecedented rates of inflation. WIC increased exposure to Consumer businesses through investments in Olaplex and Aritzia.

Key Industry Trends

Trend Towards Omnichannel Retail

Growing demand for e-commerce in the wake of the pandemic has prompted retailers to pursue new distribution strategies. Omnichannel retail refers to the complete integration of channels, platforms, and devices to offer products and personalized service to consumers. The fast adoption of omnichannel business strategies has been supported by the success of its adopters, as omnichannel businesses report 91% greater YoY consumer retention rates.

Walmart is a prime example of the success of omnichannel retail as their e-commerce shopping services, including online grocery, have seen consumers spending up to 50% more online than in store. These positive impacts are also reflected in their revenue as Walmart has seen a climb of 6.7% from $519B in fiscal year 2020, to $559B in fiscal year 2021. Going forward, the benefits offered by omnichannel retail to both consumers and companies has made it the standard among players in the consumer retail space. To remain competitive, businesses must ensure that all points of contact with consumers are fully immersive. Personalization, varied distribution methods, and increased payment options are cornerstones of omnichannel that retailers actively work on implementing to meet these changing consumer needs.

Emergence of Recommerce and Consignment

Whilst buying second-hand was always common, the emergence of ‘re-commerce’ has turned the phenomenon into something much more exciting- with reports of the resale market expected to outgrow the broader retail sector by 11 times in 2025. The cost-of-living crisis is on everyone’s minds and consumers have an increased focus on sustainability and cost-effectiveness.

In the fashion industry, impressive IPOs by re-commerce platforms Poshmark and ThredUP have incentivised bigger market-players to take initiatives of their own. ThredUP offers “resale-as-a-service” where they handle logistics and customer service for businesses who are new to resale. Poshmark’s ‘Brand Closets’ program lets brands sell directly to consumers on their platform. A similar trend follows in the furniture industry, as IKEA launched its ‘Buyback & Resell’ program to give used furniture a second life. The furniture resale industry is expected to hit $16.6B in sales by 2025, a 70% increase from 2018. Re-commerce is just as successful in the furniture industry, with 1stDibs’ IPO reaping $117.5 million from net proceeds in June. Start-ups like ‘Kaiyo’ are ready to disrupt the furniture resale business with fast, free pickups and plans to make instant offers to customers. It is expected that the resale market will uphold its growth rate, given the cost-effectiveness of re-commerce as a customer acquisition channel and the opportunity for businesses to build on their brand image through sustainable practices.

CONSUMER RETAIL GROUP
SELECT INVESTMENTS

Aritzia (TSE:ATZ)

Aritzia is a Canadian fashion brand, focused primarily on women's apparel. The company creates "Everyday luxury" clothing through a portfolio of in-house brands across formal wear, athleisure, loungewear, and more. Aritzia focuses on creating an immersive and highly personalized shopping experience through its 100+ shopping boutiques across Canada and the United States.

Uniquely positioned in the "Everyday Luxury" space, Aritzia has developed a substantial and loyal customer base. Given the company's success in Canada, the team believes that Aritzia is well-positioned to grow well-above market expectations in the US. The company's economic moat lies in its world-class operations, which takes advantage of the rapidly changing consumer tastes in the women's apparel market. The company's vertically integrated model allows it to pivot product lines and produce high quality products to match consumer demands more effectively than competitors. This is reflected in Aritzia's presence in social media and rapid growth in the US, nearly tripling revenues from 2020. The team also expects growth from integrating the acquisition of Reigning Champ, a manufacturer of premium athletic wear for men and women, into the menswear category.

ARITZIA

Olaplex Holdings (NASDAQ:OLPX)

Founded in 2014, Olaplex is a science-enabled consumer beauty company with a portfolio of 12 hair-care products concentrated around hair treatment, maintenance, and protection. The Company distributes products through professional, specialty retail, and DTC channels and is a market leader offering several of the best-selling SKUs in Sephora. Prior to going public in 2021, Olaplex was owned by Advent International for two years.

The team believes Olaplex maintains lower customer acquisition costs from its unique brand presence and has an underappreciated runway in the global beauty market. Prior to its IPO and to date, growth was driven through organic marketing from salon professionals and loyal consumers. WIC initiated a position in Olaplex in March 2022 and the team will monitor Olaplex's expansion through Ulta and internationally.

OLAPLEX.

Restoration Hardware (NYSE:RH)

Restoration Hardware is a luxury furniture retailer that sells home furnishings primarily through large scale design galleries. It operates 120 galleries in the U.S. but is increasing its international presence with new galleries slated to launch in the upcoming years. The business has shown incredible margin expansion as the company "climbs the luxury mountain". Although risks around entering a new geographic market exist, brand awareness surveys among high-end interior designers in Europe give us confidence that the company can succeed in its international plans. Although the stock has been cut in half since WIC's entry, we continue to believe that over a multi-year period, RH's unit expansion, store-level economics, and luxury margins will allow it to compound earnings per share at attractive rates.

RH

FINANCIAL INSTITUTIONS GROUP
INDUSTRY REVIEW

Opening Statement

The ongoing technological trends within different sub-sectors of Financials (e.g. payments, insurance) have made the industry particularly interesting over the last year. Names in the BNPL space drew significant interest from large hedge funds, while consolidation theses became more prevalent in the alternatives space. Overall, WIC has increased its exposure to Financials in part due to purchases of Trupanion and KKR.

Key Industry Trends

Mega Fund Dominance

In 2021, mega funds, like Blackstone, KKR, and Apollo, continued to dominate the alternative investments space, accounting for over 44% of fundraising. Mega funds are characterized by investing in a diversified range of asset classes, such as real estate, infrastructure, and credit along with traditional private equity, with multiple fund strategies. Hence, they act as attractive one-stop shops for LPs looking to simplify and consolidate their portfolio management.

Moreover, the strong performance of the public markets have also allowed many mega funds to exit investments through IPOs and return capital to LPs. This caused LPs to "re-up" or re-invest in successive funds. Due to LPs' focus on re-ups with established firms, average private equity fund sizes surged 15% from 2020 to 2021 to the highest they've been in the past decade. Finally, in recent years, mega funds have generated better returns compared to smaller funds, with lower-volatility return streams – an important feature that LPs have increasingly valued.

Growth in mega-funds is likely to persist in 2022, with expectations of several mega-funds closing recent fundraising in the next year; KKR, Stonepeak Infrastructure Partners, I Squared Capital, Brookfield Asset Management, and EQT Partners are likely to raise over $75 billion in total. What remains to be seen is how fund returns perform as dry powder increases – will fund size begin to inhibit returns for LPs?

ESG Flows

Over the past year, financial institutions have committed a significant amount of capital to sustainable investing, which accounts for investment in environmental, social, and governance initiatives. Across the market, a record $120 billion was allocated to ESG funds in 2021, representing 135% year-over-year growth.

Financial institutions from large alternative asset managers to banks have participated in the growth of sustainable investing. In January, Blackstone began implementing the Emissions Reduction Program, which entailed reducing carbon emissions by 15% across all investments where the company controls energy. In April, Citigroup pledged $1 trillion to sustainable investing by 2030 to contribute to the net-zero goal. In July, TPG secured $5.4B in funding for its Rise Climate Fund to invest in ventures cultivating climate solutions around the world. Immediately afterward, Brookfield Asset Management announced $7B in capital raised for its Brookfield Global Transition Fund, which is focused on achieving net-zero carbon emissions by 2030. Meanwhile in public markets, significant interest in ESG-focused ETFs have caused 80 new funds to come to market, while 96% of existing ESG ETFs saw positive flows.

FINANCIAL INSTITUTIONS GROUP
SELECT INVESTMENTS

Apollo Global Management (NYSE:APO)

Apollo Global Management is an American alternative asset manager with $481 billion in assets under management. The company invests in credit, real assets, and private equity, with portfolio companies such as Yahoo and Sirius Satellite Radio. WIC initiated its Apollo position in 2021 on the basis that management changes following CEO Leon Black's ties to Jeffrey Epstein would cause a multiple re-rating. We also believed an increase in Apollo's insurance holdings would drive AUM and management fee growth, and a compelling sum-of-the-parts valuation provided a margin of safety. Although the stock rallied following former CEO Leon Black's departure, APO has since experienced multiple contraction where the price remains roughly in-line with WIC's entry price. We continue to be believers in AUM and management fee growth through APO's insurance affiliation and thus continue to hold the position.

APOLLO

KKR & Co. (NYSE:KKR)

KKR & Co. Inc. (KKR) is a global alternative asset manager with ~$459B AUM, specializing in private equity, real estate, infrastructure, and credit investments. The firm has achieved a gross IRR of 25.6% across its private market funds since 1976. KKR's synergy between its various segments have allowed it to capture attractive economics and increase business participation. KKR is differentiated from other alternative managers as it invests its funds alongside its LPs and uses its balance sheet to engage in strategic M&A. This has allowed KKR to unlock synergies and compound capital without paying high fees. We expect future growth to be driven by product expansion, inorganic moves & market share gains. Despite headline regulatory threats to the alternatives space (e.g. Senator Elizabeth Warren), we believe the current price reflects an attractive bet on ongoing secular tailwinds in alternatives and KKR's competitive position.

KKR

Trupanion (NASDAQ:TRUP)

Trupanion is a company focused on providing vertically integrated medical insurance for cats and dogs. They operate using a subscription model, similar to a traditional insurance company's premium, for the delivery of veterinarian-curated Trupanion products and products from partnered businesses. Trupanion is the only pet insurance provider to cover 90% of pet-related health problems. Their coverage comes with no exclusions for genetic history, a policy that historically has made pet insurance hard to get. The consensus view currently implies that Trupanion will realize no market share gain, despite its best-in-class platform and a strong management team. We believe increased pet insurance adoption in North America will grow the overall market, while Trupanion's strong brand equity amongst veterinarians will allow it to keep its #1 position in the industry.

trupanion™
Medical insurance for the life of your pet.

HEALTHCARE
INDUSTRY REVIEW

Opening Statement

The growth trajectory of pandemic beneficiaries provided interesting stories to follow within Healthcare. For instance, Teladoc, a provider of virtual healthcare, who saw its stock fall nearly 80% over the course of the academic year, despite an increase in demand during COVID. The market has shown that despite potentially positive headline news, unit economics and financial strength remain important. Overall, WIC has kept its exposure to Healthcare relatively flat.

Key Industry Trends

Shift in Outpatient Model

Over the past decade, many of the procedures historically performed on an inpatient basis have shifted to outpatient facilities. Advances in clinical approaches, including current developments in anesthesia and minimally invasive surgery techniques have primarily driven this shift. Additionally, as consumers' frustration with the exorbitant costs associated with inpatient visits continued to grow, demand for lower costs and improved accessibility increased, pushing many to opt for out-of-hospital medical care. The COVID-19 pandemic served as a catalyst to this shift, as hospital capacity became restricted. In hopes of hedging against the shift to outpatient care, hospitals have acquired over 8,000 physician practices between 2016 and 2018. This has led to massive market consolidation, with hospitals employing more than 44% of private physicians.

Prevalence of DTC Health

The DTC business model has gained significant momentum in the highly regulated healthcare industry, with both startups and established firms entering this space. DTC allows companies to bypass the middlemen of the industry, such as insurance companies, clinicians, and employers, sending products directly to consumers. As a result, DTC companies can achieve higher profit margins as they capture some margin that historically went to distributers. During the pandemic, the DTC healthcare industry saw a shift in product offerings, moving from the typical over-the-counter medications, dental products, and skincare, into telemedicine and fitness watches. DTC companies have raised large amounts of capital, pumping public and private valuations. The financial viability of some DTC companies remains to be seen but we can expect a growing presence within the healthcare industry.

Increase of Data in Digital Health

Digital health solutions use application and communication technologies to develop a faster and more cost-efficient healthcare practice. In healthcare, it can empower patients with the ability to engage with their own health histories electronically and allow practitioners to easily access and understand these histories to assess treatment methods faster. The Affordable Care Act in 2010 was released with the intention of improving efficiency and was a key driver for digital health solutions in the United States. In addition, the pandemic has expedited the adoption of digital health, and this is displayed from market growth from pre-pandemic levels. The digital health market will surpass $430.52 billion in 2022 and is growing at a 16.9% CAGR, up from $200 billion in 2020. Although the surge of health data being collected promises better analytics for care providers, the “cleanliness” of the data has become increasingly more important. “Dirty” data can lead data scientists to erroneous conclusions. The future of healthcare innovation is no longer bottlenecked by the quantity of data, but rather its quality.

HEALTHCARE
SELECT INVESTMENTS

HCA Healthcare (NYSE:HCA)

HCA Healthcare is a Tennessee-based healthcare facility operator that runs 182 hospitals and 2,300+ sites of care across the United States and United Kingdom. In September 2021, HCA announced the sale of nearly 50 of its newly acquired home health and sites of care facilities, in order to focus on its active markets. We believe this shows a disciplined approach to their strategy. In addition, one risk that arose over the past year involved the global healthcare staffing shortage. With over 283,000 employees, human capital is a significant component of HCA's differentiation: the company prides itself on offering an unrivaled quality of care, with 84% of US HCA hospitals receiving a Hospital Safety Grade of "A" or "B" vs. 58% of non-HCA hospitals. A recent survey of nurses and healthcare workers at HCA facilities indicated that the industry-wide labour shortage has led to widespread understaffing, and in efforts to retain talent, HCA might see labour costs rise. Risks aside, we believe HCA's continued pursuit of network expansion in addition to its scale advantages puts the company in a highly defensible spot, rendering the company a great long-term holding.

Catalent (NYSE:CTLT)

Catalent is a global provider of delivery technologies, development, drug manufacturing, biologics, gene therapies and consumer health products. WIC initiated a position in the company in March 2016 as a cash effective business with high switching costs and good capital allocation. The team also pointed toward the industry trend of a greater focus on complex drugs. In August 2021, the company announced its acquisition of Bettera Holdings, a leading manufacturer of gummies, softgels and lozenges within the nutritional supplement industry, for $1 billion. This deal illuminates the steps Catalent is taking to meet ongoing industry demands for complex drug forms and grow their OSD manufacturing segment. Since 2016, the company has been strategically allocating capital, spending roughly $2 billion in CapEx and $4 billion in M&A. Due to Catalent's strong business quality and its prime positioning to capitalize on industry tailwinds, the team is optimistic about the company's future growth prospects and will continue to hold and monitor the investment.

RadNet (NASDAQ:RDNT)

RadNet is the largest provider of outpatient diagnostic imaging centers in the US, providing services like MRI, CT, ultrasound, X-ray, and mammography. The outpatient model relies on physicians referring patients to get the necessary imaging, upon which a RadNet technologist will perform the exam and a radiologist will interpret the results and send a report back to the referring physician. RadNet partners with physician groups providing the service and contractually pays 79% of their revenue back to RadNet.

As the largest company in a highly fragmented industry with many mom-and-pops, RadNet has been able to effectively execute a roll-up strategy and increase their store density, further realizing economies of scale. The value proposition of getting acquired is enticing given the long-term stability offered by operating under RadNet. Few other acquirers exist in RadNet's market and the estimated store count in the US is around 6,000, pointing to a long runway for acquisitions available to RadNet. Due to an aging population and a greater awareness about early intervention enabled by diagnostic imaging, The team believes RadNet is well-positioned to further consolidate the market and enjoy continued growth.

INDUSTRIALS
INDUSTRY REVIEW

Opening Statement

As the "picks and shovels" of many end markets, the Industrials industry became front-and-center as the pandemic-induced supply chain issues. While labour shortages and an increased government focus on becoming less reliant on other countries' exports have been eadwinds to production capacity and business volume, many companies within the sector continue to show excellent fundamentals. Overall, WIC has reduced its exposure to Industrials slightly.

Key Industry Trends

Skilled Labour Shortage

In 2022, the manufacturing, construction, and trucking industries will have a shortage of skilled workers, with 2.1 million jobs to be left unfilled by 2030. Meanwhile, by 2029, 257,000 construction workers are expected to retire, while the industry will need to recruit more than 307,000 workers to keep up. Technological advancements have resulted in a skilled worker deficit because of the increased need for training. For example, nanotechnologies' lightweight properties have made them a valuable innovation to manufacturers, from sports to medical equipment. As such, one million trades workers will need to adopt a new skillset over the next five years.

The worker deficit has many impacts on industrial businesses. First, firms will see decreased growth. The worker shortage results in higher salaries to fill the roles, reduced profits, lessened cash flows, and overall, less money to invest in expansion and growth capital expenditures. Companies may also hire less qualified workers to fill roles, which risks decreased quality and efficiency, potentially bringing civil liabilities due to the lower quality standards.

A Pause on Globalization

The lockdowns instituted by many governments around the world proved to be a tremendous obstruction to manufacturing activity and global supply chains. At the beginning of the pandemic, a reliance on global supply chains exposed weaknesses in many countries' abilities to source personal protective equipment (PPE) to keep their citizens and workers safe. In the fall of 2020 and winter of 2021, several waves of high COVID-19 cases saw lockdowns lifted and then put back on again. As a result, the flow of raw materials and finished goods was relatively unstable which created tremendous uncertainty for many industrial businesses.

Going forward, industrial companies will continue to aim for more autonomous and technology-dependent supply chains. This includes hands-free and self-driving components that will allow for greater efficiency and a safer work environment. Additionally, the expected onshoring of supply chains in North America will allow industrial firms to rely on regional transportation infrastructure and avoid black swan events such as when the Evergreen blocked the Suez Canal. However, according to a study conducted by EY on senior-level supply chain executives in late 2020, increased visibility remains a top priority in the next 12-36 months and a top 3 priority through 2021. This visibility will be aided by vaccine roll-outs which will allow for greater easing of lockdowns which will hopefully be permanent.

INDUSTRIALS
SELECT INVESTMENTS

Huntsman Corporation (NYSE:HUN)

Huntsman Corporation (HUN) is a global manufacturer of specialty chemicals used in plastics, automotive decor, and construction end-markets. The Company's four segments include polyurethanes, performance products, advanced materials, and textile effects. Polyurethanes, such as insulation, building products, and automotive, are sold to industrial buyers and comprise ~50% of revenue.

The team intends to maintain the position in HUN as management looks to compound EBITDA at ~10% p.a. over the next four years by focusing on cost-saving initiatives and refocusing on a core chemical portfolio that has recently faced high turnover. Huntsman sells to end markets with a significant backlog due to COVID-19 related supply chain disruptions, and the company will likely benefit from additional growth in the next twelve months.

HUNTSMAN
Enriching lives through innovation

International Flavors & Fragrance

International Flavors & Fragrances (IFF) provides flavours, fragrances, and health ingredients for use in consumer products worldwide. It is a leading innovator of sensory experiences that enhance the perception and attractiveness of consumer-packaged goods. In 2022, IFF plans on divesting its food preparation business and completing the sale of its microbial control business, which is estimated to generate $1.4B in gross proceeds. Combined with IFF's $1.0B in free cash flow, IFF is well underway in meeting its deleveraging target, having reduced net debt to credit-adjusted EBITDA to 4.1x. IFF continues to maintain its solid international foothold, led by 11% growth in Latin America driven by the Nourish category.

The team intends to continue holding the position in IFF given its strong competitive positioning, pricing power, and as it continues to benefit from the DuPont N&B merger over the next couple of years.

iff

Stericycle (NASDAQ:SRCL)

Stericycle is a waste disposal and compliance services company, operating in North America and internationally. They provide two primary services: medical waste disposal and secure information and document destruction. The Industrials group initiated the Stericycle position in late 2018 after determining that the company's stock was undervalued due to legal issues. COVID-19 heavily impacted the secure document disposal segment in late 2021 and the Company's operating income fell by 9% in the fourth quarter. The event resulted in a significant sell-off, leading to a 28% decline in the stock price since May 2021. As a result of deficient future growth prospects, the team concluded that there were opportunities to allocate capital elsewhere at higher rates of return and sold the position in the company.

Stericycle®

REAL ASSETS
INDUSTRY REVIEW

Opening Statement

Real Assets have experienced significant out-performance over the past year due to macro-related events such as the surge in demand from the economic re-opening, the war in Ukraine, and OPEC production cuts. Overall, WIC has reduced its exposure to Real Assets as a result of selling previous investments.

Key Industry Trends

Accelerating Inflationary Pressures

Energy and commodity prices rallied at the start of 2022. Demand-side concern for energy eased once initial mobility restriction implications from the Omicron variant subsided. Yet, the recent war in Ukraine is exacerbating supply-side pressure as suppliers are failing to meet the output demanded. Sanctions and an embargo on the world's third-largest oil producer and largest natural gas exporter, Russia, have seen Brent crude surge to more than US $139/barrel at one point, the highest level for almost 14 years, and wholesale natural gas spiked 60% in a week to a record high of US$215/MWh. Similarly, key metal prices have soared as Russia is a major producer of aluminium, copper, palladium, and titanium. Disruptions to palladium and platinum exports, the latter of which Russia is the world's second largest supplier, are likely to affect the automobile industry as they are key components of catalytic converters. Reflecting investor uneasiness in the economy, the price of gold, regarded as a safe asset in times of uncertainty, has climbed 7.3% in a month to US$1,938/oz. The end of rampant inflation is not yet in sight.

Office and Retail Real Estate

As COVID variants continue to alter reopening timelines, long-term trends have begun to take hold in the retail and office real estate market. COVID-driven WFH policies are likely to become long-term policies for many companies, reducing necessary office lease expenses. As a result, the adoption of co-working spaces has grown. Studies show 90% of employees want to work in the office at least one day per week. Restrictions have also accelerated the shift towards a ghost kitchen model for fast-food restaurants. Ghost kitchens are cost-efficient fast-food locations built without dining areas to save on costs while emphasizing the higher-margin drive-thru sales channel. These tailwinds have prompted over 50% of businesses to embrace the model, with major brands like Wendy and Quiznos planning to open 700 ghost locations by 2025 and 100 in 2022, respectively. Ghost kitchens can also house multiple restaurant brands under one roof, allowing retail REITs in the space to service wider customer groups. Analysts project the industry to growt at a 13.5% CAGR, reaching $118.5 billion by 2027. These shifts display an evident transformation in real estate assets as we approach the tail-end of the pandemic.

REAL ASSETS
SELECT INVESTMENTS

Polaris Infrastructure (TSX:PIF)

Polaris Infrastructure (TSE: PIF) is a Toronto-based energy company that engages in the acquisition, development, and operation of renewable energy projects in Latin America. Polaris operates four projects in Nicaragua and Peru, and capitalizes on a smaller market, lower-capacity opportunities ($50M - $150M projects) that make it distinct from its larger competitors. WIC initiated a position in Polaris in 2021, identifying it as an attractive growth opportunity due to low competition, favourable regulations surrounding renewables, and management's strategy of asset diversification. Since the initial investment, an amendment to the San Jacinto power purchase agreement (PPA)'s price was made. Although the amendment included a lower price, it also included an additional 10-year extension to 2039. WIC continues to hold a position as we believe Polaris will generate significant free cash flow over a long duration.

Lundin Gold (TSX:LUG)

Lundin Gold is a Canadian gold-mining company with operations in Ecuador, currently holding licenses to approximately 64,000 hectares of land in Southeast Ecuador. Lundin's crown jewel is its Fruta del Norte gold mine which was acquired in 2014 for $240 million. WIC initiated a position in late 2019 with the belief that their strong management team, industry-leading all-in sustainable cost (AISC) profile, and future exploration potential in surrounding areas would provide equity upside. Since our initial position, Lundin has been able to continuously generate strong cash flows and continue exploration in the Suarez pull-apart basin. Early-stage exploration of the Barbasco region has uncovered buried gold and silver deposits, pointing towards significant mining potential within the basin. Newcrest Mining (ASX:NCM), a significant initial investor in LUG and a mining industry titan, recently increased their stake to 32% from 27%. NCM has a strong record of helping single-asset miners exploit high-quality ore bodies at a low cost. WIC remains bullish on Lundin's further growth prospects.

Suncor Energy (TSX:SU)

Suncor Energy Inc. is a dominant Canadian integrated energy company whose focus lies in the development, refinement, and production of primarily Albertan oil sands. WIC's initial thesis was that Suncor's integrated business model and involvement in the Fort Hills and Syncrude projects would drive significant cash flows for the future. Suncor's long-term future strategic plan focuses on the development of new technologies, economic investments in various projects, and the reduction of harmful emissions. Suncor recently increased ownership of the Terra Nova Floating, Production Storage, and Offloading (FPSO) vessel. In addition, Suncor assumed operatorship of Syncrude in early October, allowing them to integrate further up the value chain. Suncor has delivered its balance sheet significantly and aggressively bought back stock. WIC continues to hold a position as we believe further deleveraging and share buybacks would provide equity upside.

TECHNOLOGY, MEDIA & TELECOM.
INDUSTRY REVIEW

Opening Statement

The TMT sector has been at the forefront of the broader market sell-off in response to heightened levels of inflation, post-COVID return to the office, and fears of a recession. Although tech indices ended the 2021-2022 academic year relatively flat, wide dispersions among sub-sectors could be seen. For instance, semiconductors outperformed greatly given favorable supply-demand dynamics. Meanwhile, "growth at all costs" businesses were punished severely with the market beginning to question economics at scale. Overall, WIC has maintained its exposure to TMT.

Key Industry Trends

Persistent Semiconductor Shortage

2021 saw the global economy suffer from an acute semiconductor shortage that is set to persist beyond 2022, brought about by the COVID-19 pandemic and exacerbated by recent geopolitical events. Most of the semiconductor manufacturing capacity is located in Asia - 92% in Taiwan alone - which was the first region to shut down amidst the onset of COVID-19 and led to semiconductor factories being brought offline on a large-scale. While global supply chains were being disrupted, demand for semiconductors continued to skyrocket - with sales increasing 26.2% from 2020 - as people started working from home, prompting them to upgrade their home setups, and nudging cloud companies to expand cloud storage capacity. Meanwhile, many products, particularly automobiles, have also become more advanced, thus requiring more semiconductors.

As demand continues to outstrip supply, companies in the technology and automobile industry such as Apple, GM and Ford have been forced to cut back or delay production, costing the US economy $240B. In response to the global chip shortage, semiconductor companies have announced investments to increase domestic capacity, with Intel spending $20B to build two new chip plants in Arizona and TSMC raising $500M to fund an Arizona chip plant. However, increasing capacity takes time, with factories taking an average of 3 years to build. Moreover, the ongoing Russo-Ukraine war is likely to prolong the chip shortage as Ukraine and Russia are key suppliers of important industrial gasses, Neon and C4F6, which are essential for semiconductor production. So what does this all mean? While we are likely to have to continue to wait a while for a brand new PS5, we might not have to wait for long to buy a PS6.

Continued Transition to 5G

When 4G technology first launched in late 2010, it revolutionized the way people interacted with their smartphones. With higher speeds and lower latency, the applications of these new features spanned far beyond that of the telecom sector as they completely changed industries like social media, ridesharing, and video streaming. More than a decade later, 5G is promising to do the same. Although the timing for the global rollout of 5G was less than ideal, coinciding with the beginning of COVID-19, reports published within the past year have placed 5G implementation and adoption to be faster than any previous generation of mobile technology. As more infrastructure is put in place by the over 180 5G service providers around the world, this generation of mobile-access technology is poised to be the dominant form of telecommunications by as soon as 2027, accounting for up to 49% of mobile subscriptions with the North American market having the highest degree of penetration. This year, as 5G technology is becoming increasingly available everywhere, companies like Intel and Google are amongst the forefront in spearheading the push for a wider-range of 5G applications in their products. In particular, 5G's ability to provide a low-power wide-area network (LPWAN) makes it an attractive candidate for companies developing smart-home ecosystems, as it decreases households' reliance on costly infrastructure while upgrading network connectivity and capacity. Despite the positive future outlook, recent roadblocks encountered by the implementation of 5G infrastructure such as FAA concerns that resulted in AT&T and Verizon temporarily limiting the power of their 5G networks show there still is much uncertainty surrounding 5G in the short-term.

TECHNOLOGY, MEDIA & TELECOM.
SELECT INVESTMENTS

GoDaddy (NYSE:GDDY)

GoDaddy is a leading global domain registrar and web hosting company, providing businesses around the world with the essential tools to succeed both online and in-person. The business generates revenue from three segments: domains, hosting and web building, and business application.

The team invested into GoDaddy given its captive ecosystem and ability to increase average price charged per user while maintaining low customer acquisition costs. Once customers are onboarded, GoDaddy would gradually encourage a transition to more expensive products that significantly improve business operations. This key differentiator has been reflected in consistent user growth and has allowed the company to surpass $1 billion in quarterly revenue in Q4 2021 and consistently outperform consensus expectations. The team will continue to assess whether GoDaddy's performance remains in-line with the investment thesis.

Fiverr (NYSE:FVRR)

In March 2022, WIC made an investment into Fiverr, a marketplace of digital services. Fiverr's addressable market is estimated at $115 billion, with over 80% of freelance transactions still taking place offline. The team believes there is a sizeable runway for organic growth and has conviction that there is space for multiple winners in the digital services marketplace. Fiverr is an aggregator, given its direct relationship with users, multi-sided network, and a zero marginal cost to serve new buyers. These characteristics make it difficult for new entrants to compete with a network of zero. At the time of the pitch, consensus figures implied Fiverr was at a downward inflection point in spend per buyer growth and underappreciated its move up-market.

As a focus on Fiverr Business continues driving higher spend per buyer and subscription revenues, the team will monitor whether the company's event path aligns with thesis points.

Fortinet (NASDAQ:FTNT)

In fall of 2020, WIC invested in cybersecurity company Fortinet. The Company provides cybersecurity solutions to a wide array of enterprises, governments, and other organizations. The team had conviction that its strong patent profile and forward thinking innovation in addition to the natural economic moat of the cybersecurity industry gave Fortinet a sustainable competitive advantage following the COVID-19 pandemic. The team's thesis continues to play out as Fortinet achieved substantial growth, attributed to its differentiated offering and industry-leading cost for performance.

Over the last year, Fortinet has continued to far outpace industry growth and subsequently grew its market share through offering a superior suite of products. Fortinet remains at the forefront of cybersecurity innovation and the team views the Company as a long-term compounder combining both high levels of growth and profitability, returning over 140% to date.

STAY IN TOUCH

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