

# UTM Capital

Annual Report

2022/23



# President's Letter

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It has been an honour to serve as President of UTM Capital for the 2022/2023 academic year. Since the inception of UTM Capital 6 years ago, the fund has grown significantly with more students becoming involved and honing their skills to become future finance professionals. It has been a pleasure to work alongside and watch our Investment Leaders deliver some of the most compelling investment recommendation to date. I look forward to seeing UTM Capital continue to blossom over the next few years as it cements itself as the University of Toronto – Mississauga's Premier Student-Led Investment Fund.

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UTM Capital has gone through a transformative year with our focus revolving around better developing the quality of analysis done through our investment recommendations, structuring club roles for future success and re-designing our brand identity. Coming out of the pandemic, we expected a rapid influx of on-campus extracurricular participation and we looked to capitalize on this for the long-term benefit of the club. For the 2022/2023 academic year, UTM Capital has had a record number of analysts participate in developing investment ideas highlighting our increased on-campus presence.

We returned to in-person events and had wonderful success with our UTM Capital Speaker Series, with esteemed investment professionals joining us to present ideas, educate and inspire our members. We also launched our first ever UTM Capital Alumni Panel event, with former members joining us on-campus to talk more about their early-career experiences and give advice to members seeking a career in investment-finance after graduation.

We've also had great success collaborating with the Li Koon Chun Finance Learning Centre, providing a space for members to conduct deep dives into companies with the right set of tools, hosting group discussion sessions and developing workshops on how to use industry software including Bloomberg and FactSet.

With the many successes UTM Capital has enjoyed over this past year, I believe the club is set up to enjoy great success and look forward to the achievements of next years' leadership team. Lastly, I would like to thank the UTM Capital leadership team, the Investment Leaders, the UTM Department of Management, the FLC, the UTM Student Union and our Chairman for their hard work and support in making 2022/2023 UTM Capital's most successful year ever.

Regards,

Laith Sabunchi

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# Executive Team

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**President – Laith Sabunchi**



**VP Finance – Illia Kazak**



**VP Events – Amanda Chitengu**



**VP Operations – Nicole Suszycki**



**VP Marketing – Aniqah Taher**



# Investment Leaders



1 Luca Trozzo – Metals and Mining (M&M)

2 Justin DiNardo – Power, Utilities and Infrastructure (PU&I)

3 Nilesh Goburdhun & Mazhar Ahsan – Financial Institutions Group (FIG)

4 Arsalan Arshad – Consumer and Retail (C&R)

5 Anas Elmangoush – Technology, Media and Telecommunications (TMT)

6 Amanda Chitengu - Healthcare





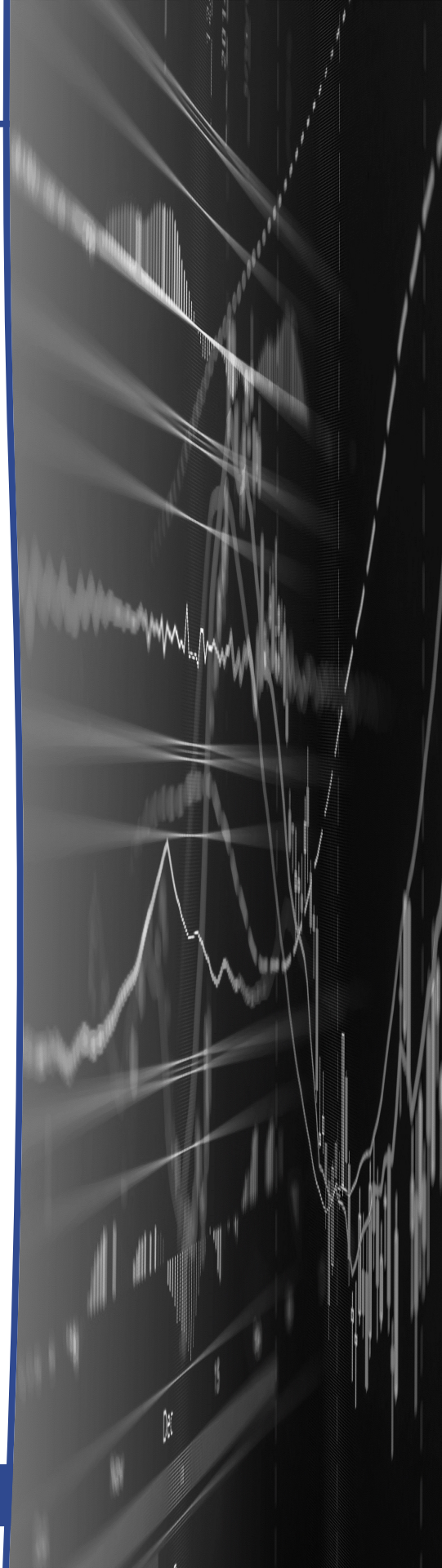
# About UTM Capital

UTM Capital is the student-led premier investment fund at the University of Toronto – Mississauga overseeing a portfolio of private capital. Founded in 2018, UTMCAP operates as a fundamentals-oriented organization with the goal of enabling UTM students to gain practical experience in investment research.

UTM Capital is value driven with a multi-year time horizon for our funds. This philosophy has guided us to succeed in bringing value to our investors, whom we are grateful for the trust they have placed in us.

We aim to prepare students for careers in the world of investment finance by cultivating skills in financial research, analysis, and reporting. Many of our former members have successfully gone on to take up careers at some of the largest financial institutions globally.

Our club receives support from UTM's Department of Management (UTMM), and the UTM Student Union (UTMSU). Members from these organizations, in combination with student engagement, continue to assist UTM Capital's everyday operations and long-term strategy.



# Alumni

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UTM Capital is the premier finance club on the University of Toronto Mississauga's campus, and as such produces its top alumni. The club prepares its members for industry directly through providing experience in capital markets research, networking opportunities, workshops and more.

UTM Capital counts its alumni working at the following prestigious firms within the field of finance and capital markets.

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J.P.Morgan

Goldman  
Sachs

Scotiabank™  
GLOBAL BANKING AND MARKETS



BMO  Capital Markets

 Nasdaq

 SLC  
Management

CIBC 

Deloitte.

 Capital One

WELLS FARGO

 EY  
Building a better  
working world

 HURON

 CONSTELLATION  
SOFTWARE  
INC.



# Organizational Structure

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## Advisory Board

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- UTM Capital's advisory board consists of UTMM faculty, former alumni, and investment professionals that monitor fund performance and approve investment decisions as a collective.

## Student Leadership Team

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- The students that make up the leadership team take on the responsibility of looking after everyday club operations, appoint Investment Leaders, and other relevant club projects. The president (or co-presidents) lead the club and are supported by multiple student vice-presidents that each specialize in a particular aspect of the club.

## Student Coverage Groups

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- All investment recommendations are sourced from student coverage groups that work on a particular stock throughout the academic year. Students, regardless of their academic background or level of knowledge, assume roles ranging from Investment Leader to Analyst and are tasked on finding valuable investment opportunities for UTM Capital.





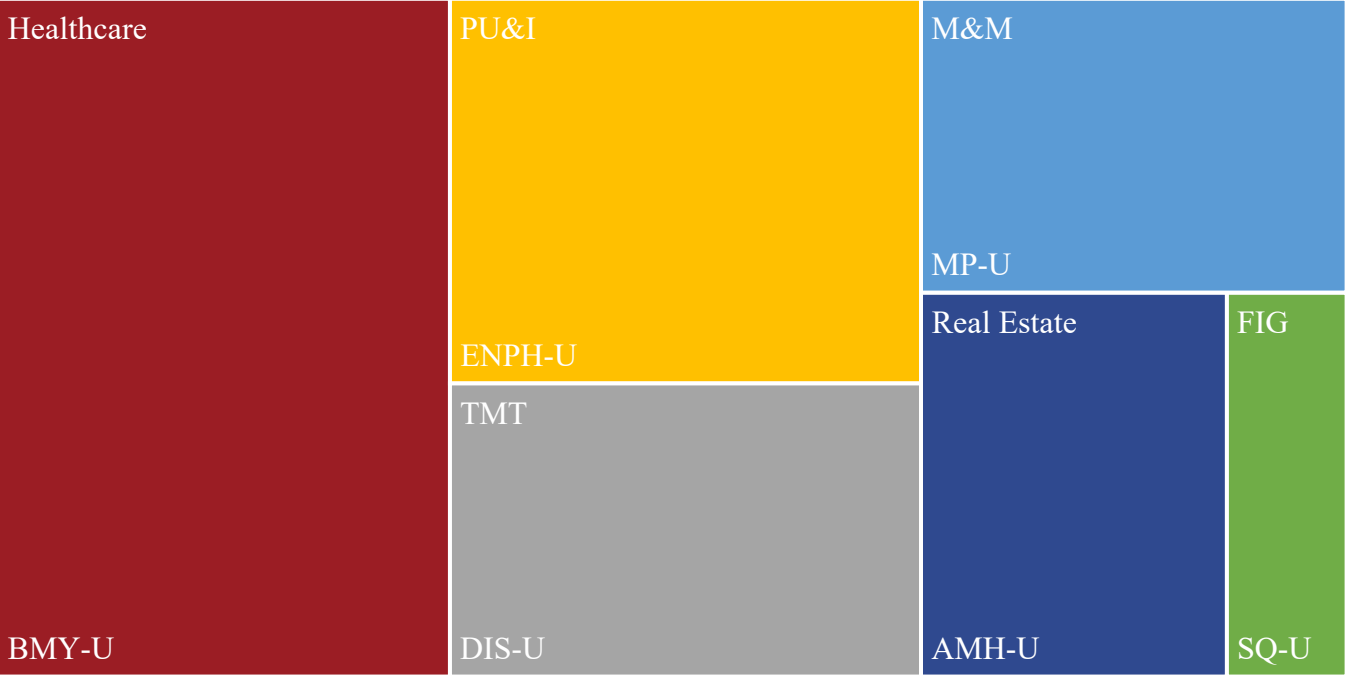
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# Fund Overview

# Fund I Allocation

## Fund I

■ Real Estate ■ Healthcare ■ TMT ■ PU&I ■ M&M ■ FIG



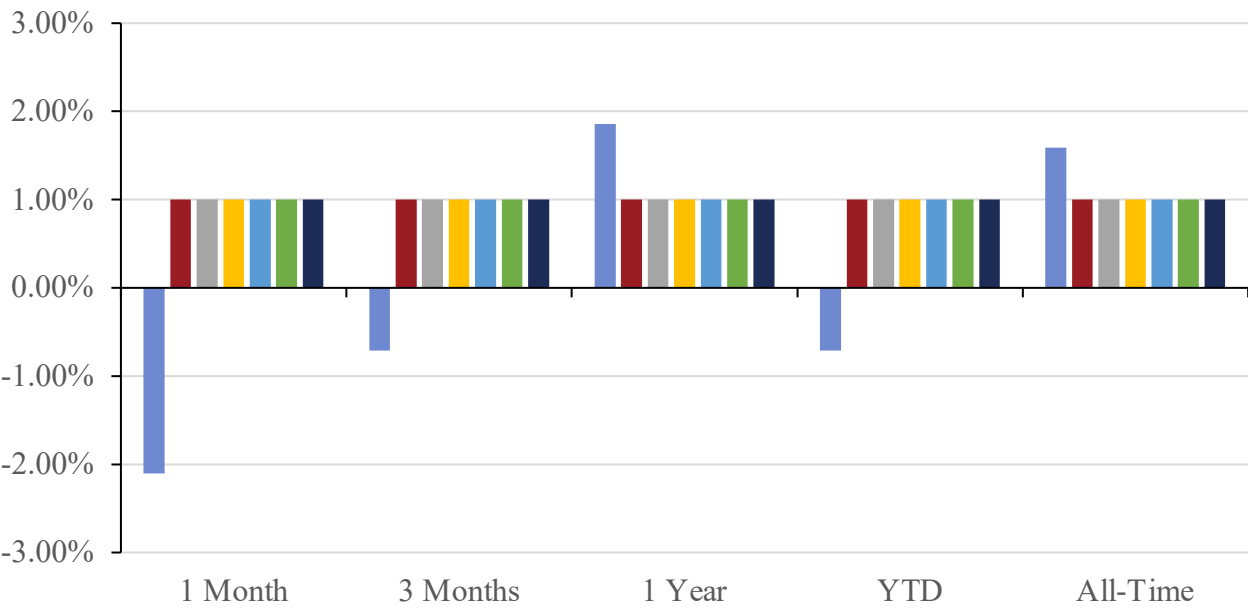
Fund I currently encompasses the winners from previous years, and some additional companies who have been selected based on attractiveness during their year. The fund currently has one equity per sector, with the exception of a consumer company.





# Performance

Based on Money-Weighted Rate of Return



# Process for Investments

Fund investments are considered at the end of the academic year when all student coverage groups have presented their investment recommendations at UTM Capital's annual closing ceremony. Winning recommendations are determined by a panelist of judges consisting of members from the advisory board, alumni, and invited industry professionals.

As per our constitution, UTM Capital has a strict list of requirements for companies that are considered. These include:

- The equity securities of Canadian Issuers that trade on the Toronto Stock Exchange with a minimum market capitalization of C\$1,000,000,000 and whose long-term debt rating is greater than B according to the Dominion Bond Rating Service (DBRS)/ Standard and Poor's/ Moody's or Fitch.
- The equity securities of U.S. Issuers that trade on the New York Stock Exchange and NASDAQ with a minimum market capitalization of US\$1,000,000,000 and whose long-term debt rating is greater than B according to the Dominion Bond Rating Service (DBRS)/ Standard and Poor's/ Moody's or Fitch.
- Income trust units of Canadian Issuers that trade on the Toronto Stock Exchange with a minimum market capitalization of C\$1,000,000,000 and who are domiciled in jurisdictions that provide limited liability protection to unit holders and are rated STA-3 or higher by DBRS.
- Cash and short-term cash-equivalents denominated in Canadian dollars, including cash held in the brokerage account, Government of Canada or Provincial debt securities maturing within 60 days.
- Investments in Government fixed income securities with maturities under 60 days, corporate fixed income securities, equity securities of non-Canadian and non-U.S. Issuers, instalment receipt securities, and derivative investments, such as options, futures, and warrants, are not permitted.
- The Fund is prohibited to invest in "vice stocks" such as tobacco, marijuana, alcohol, and gambling.
- All investments made by the Fund are to be settled in cash. Margin purchases and short sales are not permitted.





# 2022/2023 Investment Recommendations

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# Metals and Mining (M&M)

## Lundin Mining

### Investment Outcome:

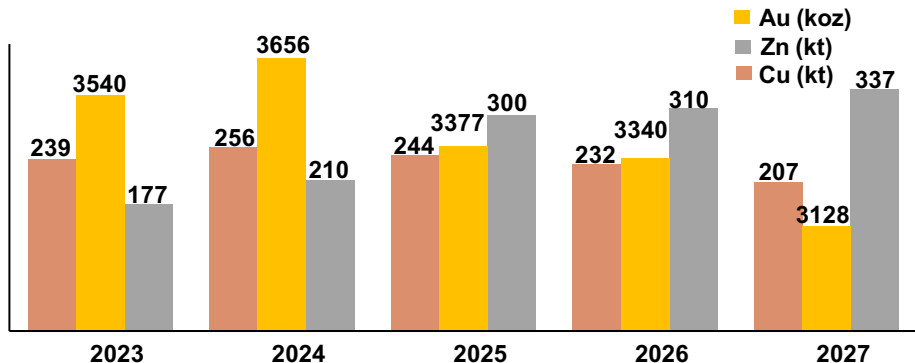
We recommend buying LUN.TO with a price target of \$10.40 while its current share price stands at \$8.30, representing a ~25% upside.

### Thesis Drivers:

#### Growth Pipeline in the works

Lundin Mining Corporation's ongoing expansion plans, including the Zinc Expansion Plan at Neves-Corvo and the Candelaria Expansion Plan, showcase the company's commitment to growing its production capacity and meeting the increasing demand for copper and other metals.

These plans involve investing in high-quality assets with significant growth potential, such as the development of new underground mines and the construction of new processing plants. By expanding production at its existing mines and exploring new opportunities, Lundin Mining is well-positioned to benefit from the long-term demand for metals, making it an attractive investment option for investors seeking exposure to the mining industry.



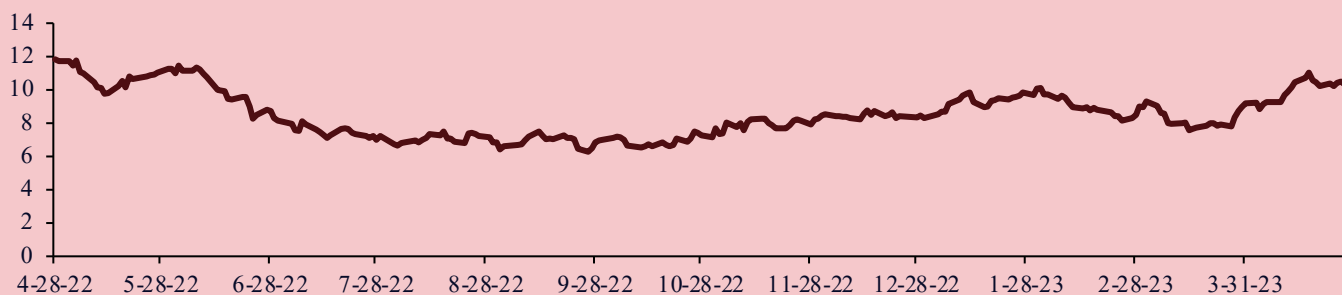
### Key Data

Sector	Mining
Market Cap	\$6,400mm
52 Wk Range	6.24-11.49
Ticker	LUN.TO

Revenue Breakdown FY22



LUN.TO (CAD)



# Metals and Mining (M&M)

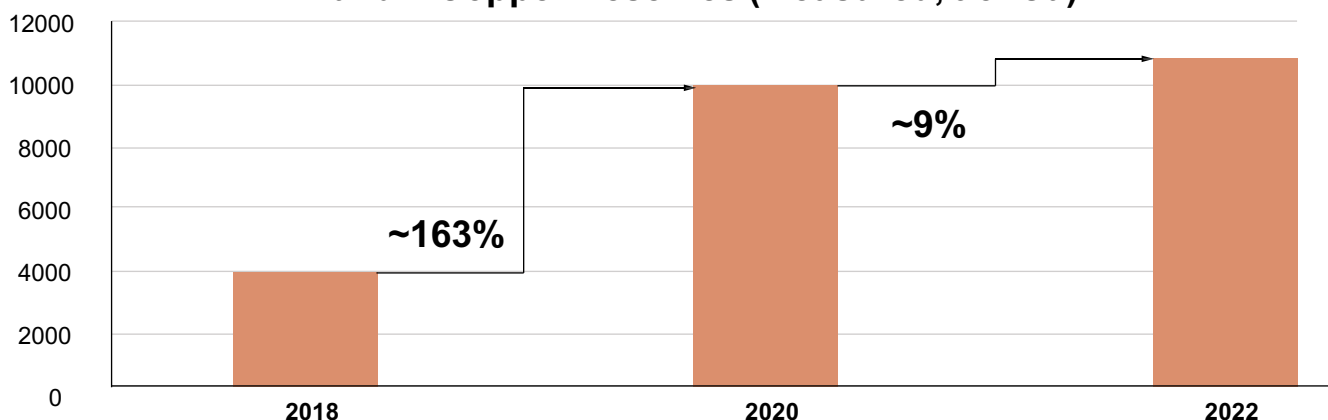
## Lundin Mining

### Thesis Drivers:

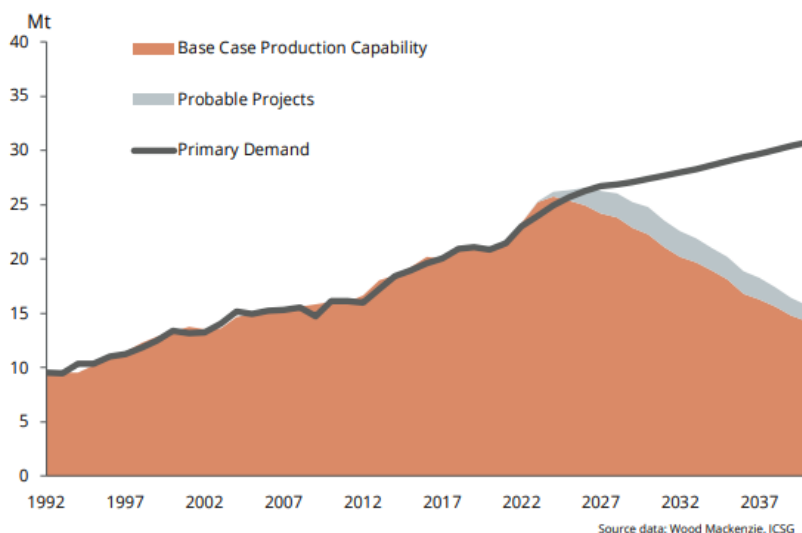
#### Josemaria & Filo De Sol Projects

Lundin Mining Corporation's recent mine acquisitions and partnerships in Josemaria and Filo del Sol offer promising opportunities for investors looking to capitalize on the current demand for copper, gold, and silver. With large resource estimates, ongoing feasibility studies, and progress in obtaining necessary permits, the company is well-positioned to benefit from the potential profitability of these projects.

#### Lundin Copper Reserves (Measured, t of Cu)



### Supply / Demand Outlook



### Filling the Copper Gap

Lundin Mining Corporation is a leading copper producer with multiple operations across the globe, including in Chile, Portugal, and the United States. As the demand for copper continues to rise due to its essential role in many industries, Lundin Mining's projects and operations can help fill the gap for global copper demand. Copper markets suggest increased tightening as global industries transition towards sustainability, this has presented Lundin as a viable company with a large portfolio of low-risk assets and massive potential to expand globally.





# Financial Institutions Group (FIG)

## KKR

### Investment Outcome:

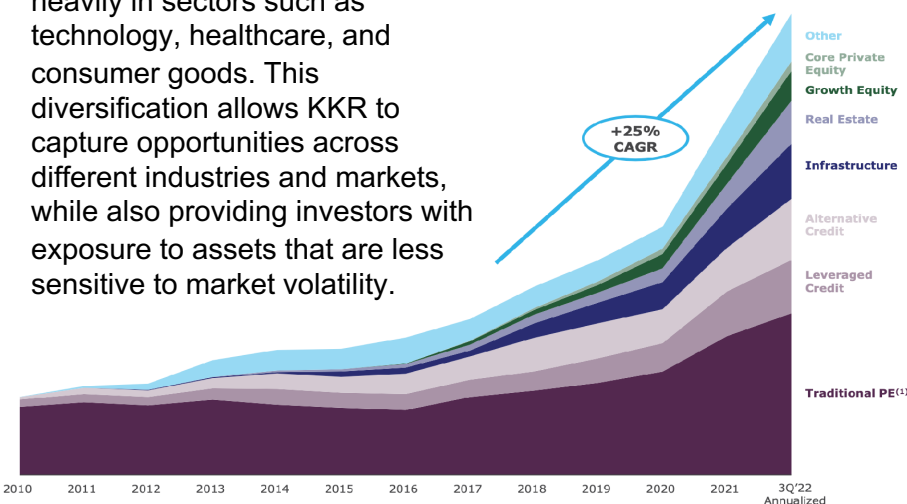
KKR is given a price target of \$68, representing an upside of ~34%.

### Thesis Drivers:

#### Private Asset Exposure

KKR's investment strategy has consistently focused on private assets, providing investors with exposure to alternative investments such as private equity, real estate, infrastructure, and energy. This approach has enabled the firm to generate attractive returns for its investors by capitalizing on market inefficiencies and unlocking value in underperforming assets.

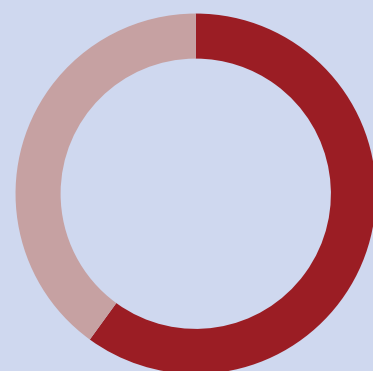
KKR's private assets portfolio has grown substantially in recent years, with the firm investing heavily in sectors such as technology, healthcare, and consumer goods. This diversification allows KKR to capture opportunities across different industries and markets, while also providing investors with exposure to assets that are less sensitive to market volatility.



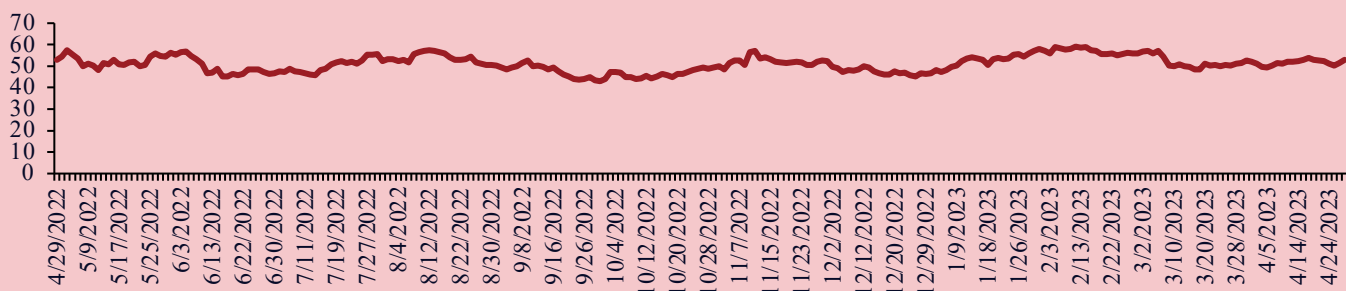
### Key Data

Sector	Asset Management
Market Cap	\$56,055mm
52 Wk Range	41.77-60.53
Ticker	KKR

### Revenue Breakdown FY22



### KKR



# Financial Institutions Group (FIG)

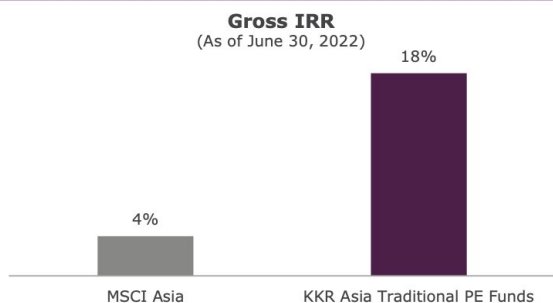
## KKR

### Thesis Drivers:

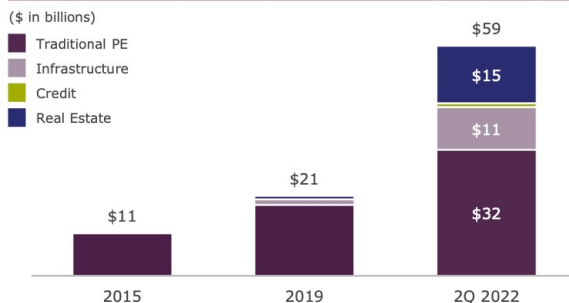
#### Outperforming Competitors

KKR has a long history of outperformance relative to other similar companies in the alternative investment industry. The firm has consistently generated strong returns for its investors, and currently leads with regards to AUM growth over the last 5 years. KKR's ability to identify attractive investment opportunities, employ a disciplined investment process, and leverage its global network of resources and expertise has been a key driver of its success. This has resulted in outperforming industry-standard public market and sector ETF's such as the Vanguard 500 and NYSE Composite indices.

#### KKR Asia Traditional PE Performance

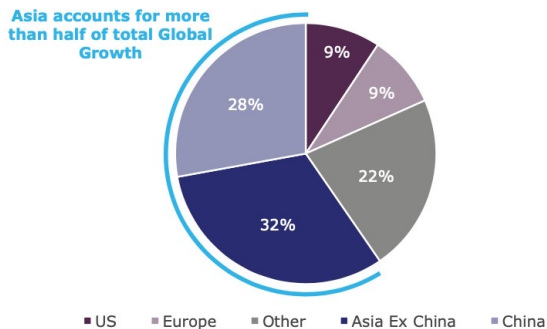


#### KKR Asia AUM Growth



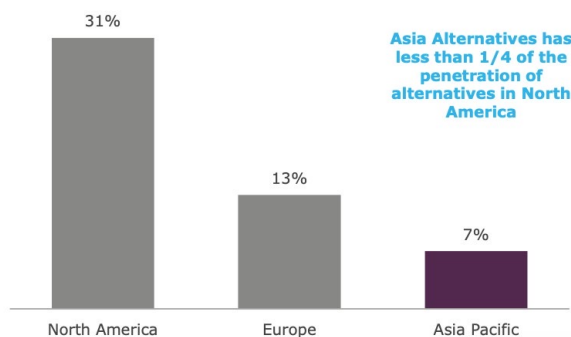
#### Asia's Dominance Will Continue to Grow

**Contribution to Global Real GDP Growth (%)**  
(Average 2022E to 2027E)



#### Large Opportunity to Capture Market Share

**2021 Alternatives AUM as a Percentage of GDP**



### Asia

KKR has ambitious plans for growth in Asia, where the firm sees significant opportunities for investment across a range of sectors. The company has been active in Asia for over a decade, and in recent years has significantly expanded its presence in the region through strategic partnerships and investments in key markets such as China, India, and Southeast Asia. KKR's approach in Asia is centered on leveraging its global network of resources and expertise to identify and execute value-creation strategies in high-growth sectors such as technology, healthcare, and consumer goods. With Asia's continued economic growth and increasing demand for alternative investments, KKR is well-positioned to capitalize on these trends and deliver strong returns for its investors in the years ahead.



# Power, Utilities & Infrastructure (PU&I)

## Constellation Energy

### Investment Outcome:

Constellation has a price target of \$119.30 which represents an upside of ~54%.

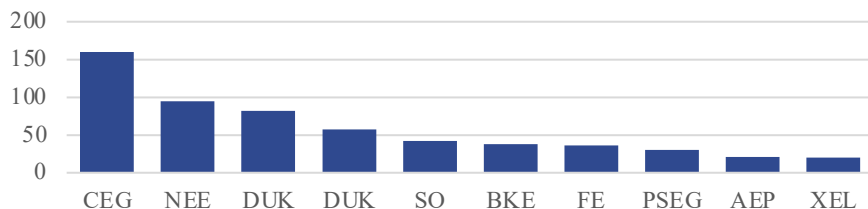
### Thesis Drivers:

#### Competitive Advantage

Constellation Energy has a clear competitive advantage in power generation across North America, thanks to its well-established infrastructure and strong regulatory position. This infrastructure advantage is non-replicable, as regulatory barriers prevent easy entry into the industry, while the significant capital requirements make it challenging for all but the largest companies to join. This gives Constellation a significant edge over its competitors, allowing the company to deliver strong free cash flows through disciplined operations.

Additionally, Constellation's market position is strengthened by its impressive client list, serving 75% of the Fortune 500. With a proven track record of delivering reliable and cost-effective energy solutions, Constellation Energy is well-positioned to continue to grow its market share and outperform its competitors in the years ahead.

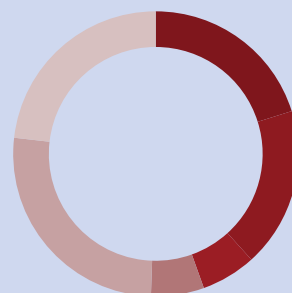
Zero Emission Energy Produced by Company (GWhs)



### Key Data

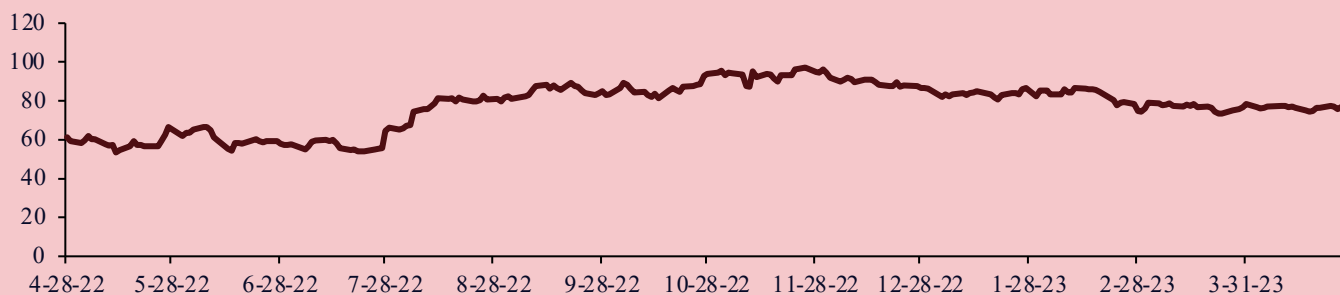
Sector	Electric Utility
Market Cap	\$26,040mm
52 Wk Range	52.64-97.89
Ticker	CEG

Revenue Breakdown FY22



- Mid-Atlantic
- Midwest
- New York
- Texas
- Other Power Regions
- Other Electric Revenues

### CEG



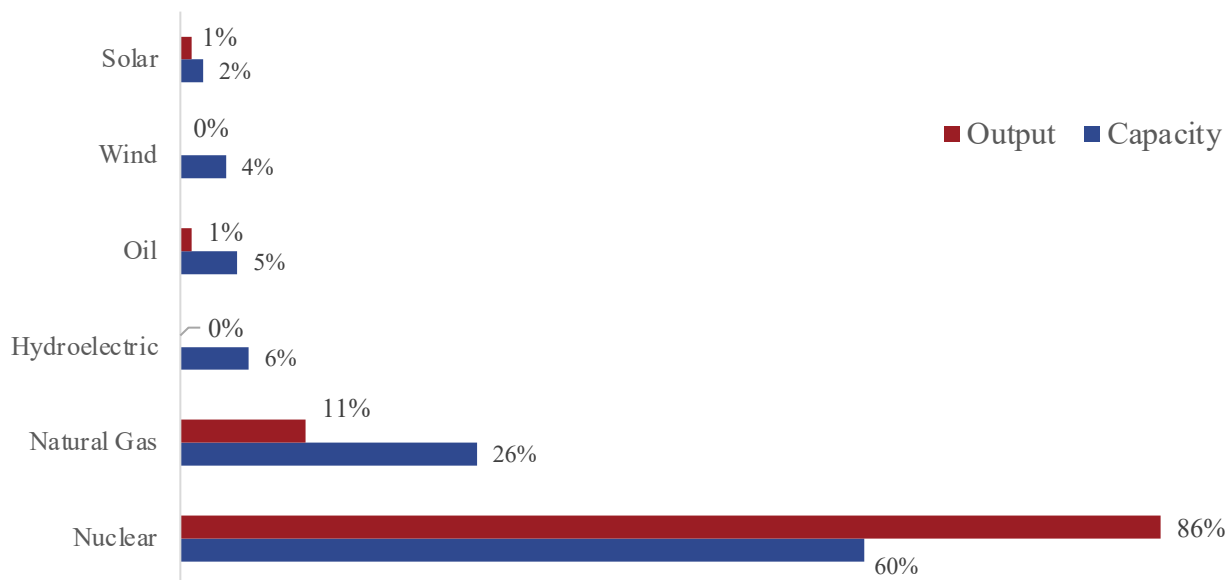
# Power, Utilities & Infrastructure (PU&I)

## Constellation Energy

### Thesis Drivers:

#### Nuclear Exposure

Constellation Energy is uniquely positioned at the forefront of the de-carbonization movement in the rapidly expanding power grid, with nuclear power being the clear choice for carbon-neutral capacity generation. With nearly 25% ownership of the US nuclear fleet, producing double the power of its closest competitor, Constellation's assets are critical in meeting the climate goals set by governments and corporations across the United States. Its nuclear power plants have an operational lifespan of up to 80 years, which is longer than any other asset, giving the company a distinct competitive advantage in the industry. With its unmatched scale, experience, and expertise in nuclear power generation, Constellation is poised to lead the way in meeting the growing demand for clean and reliable energy solutions.



#### Strategically Defensive

Constellation Energy is a strategically sound investment, thanks to its unique spread across the continental United States. This geographic diversification allows the company to generate revenue from a wide range of end-customers, providing a solid foundation for long-term growth and profitability. With a broad customer base that includes both residential and commercial customers, Constellation is well-insulated against market volatility and economic downturns. Moreover, the company's focus on providing essential energy services means that demand for its products is likely to remain stable over time, further strengthening its defensive positioning in the market. With its unique revenue diversification and focus on providing essential energy services, Constellation Energy is a smart investment choice for those seeking long-term growth and stability.



# Technology, Media & Telecom (TMT)

## Netflix

### Investment Outcome:

We recommend buying NFLX with a price target of \$385.49 while its current share price stands at \$322.55 (April 25th, 2023). This represents nearly 20% upside.

### Thesis Drivers:

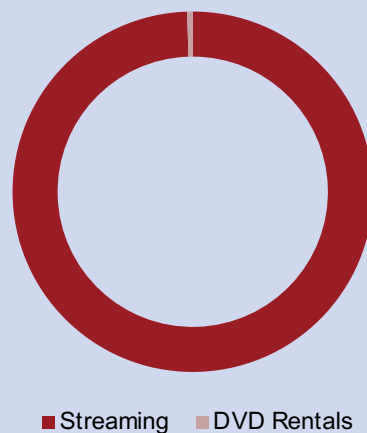
#### Strong Growth Opportunities

Netflix has three growth opportunities: integrating virtual reality, diversifying service offerings, and producing local content. Virtual reality could enhance the consumer experience for younger generations and Netflix has already begun experimenting with Decentraland. Diversifying service offerings with complementary entertainment options such as gaming studios could increase average revenue per user and justify future price increases. Producing local content can boost demand in regional markets, and Netflix dominates in this area with over 1,000 original titles across 38 languages (excluding English).

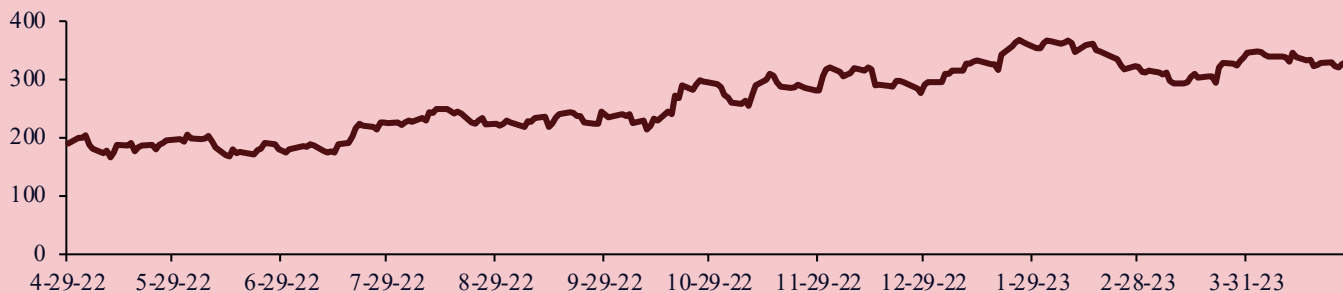
### Key Data

Sector	Streaming & Entertainment
Market Cap	\$147,870mm
52 Wk Range	169.69-366.89
Ticker	NFLX

Revenue Breakdown FY22



NFLX





## Netflix

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### Thesis Drivers:

#### **New Revenue Streams:**

First is password-sharing monetization, which aims to capture a significant portion of the 100 million households that currently share a Netflix password. Second is ad revenues with the implementation of ad-based subscriptions at a lower cost, thus attracting more price-sensitive consumers while gaining revenue from the advertisers' front.

#### **Promising Cashflow Business Model:**

In 2022, the company achieved a positive free cash flow of \$1.6 billion, surpassing its \$1 billion target. This milestone signifies the end of the most cash-intensive phase of Netflix's original programming initiative. Going forward, the company expects to maintain positive free cash flows with at least \$3 billion in 2023 and an operating margin between 18 to 20%. Furthermore, Netflix no longer needs to raise external financing for day-to-day operations, allowing the company to focus on achieving its target debt balance of \$10 to \$15 billion. With \$14.4 billion in debt, Netflix plans to decrease this measure as cash flow growth continues.



# Consumer and Retail (C&R)

## Restaurant Brands International

### Investment Outcome:

The target price is \$73.03 USD representing an upside of ~16% from its current price of \$60.53.

### Thesis Drivers:

#### Dominant Business Model:

Restaurant Brands International (RBI) has a dominant business model that brings in stable cash flows, making it an attractive investment opportunity. The company's property revenue stream has been consistently stable over time, providing a reliable source of income for investors. Additionally, RBI's franchising efforts have been highly successful, allowing the company to expand its brand and generate revenue through licensing and royalty fees. The company's strong focus on franchise operations has enabled it to establish a wide network of restaurants across multiple continents, including iconic brands such as Burger King and Tim Hortons. With its proven track record of stable property revenue and successful franchising efforts, RBI is well-positioned to continue generating strong cash flows and delivering consistent returns for investors.

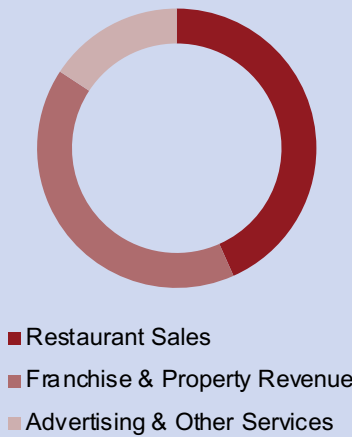
Franchised Restaurant Breakdown



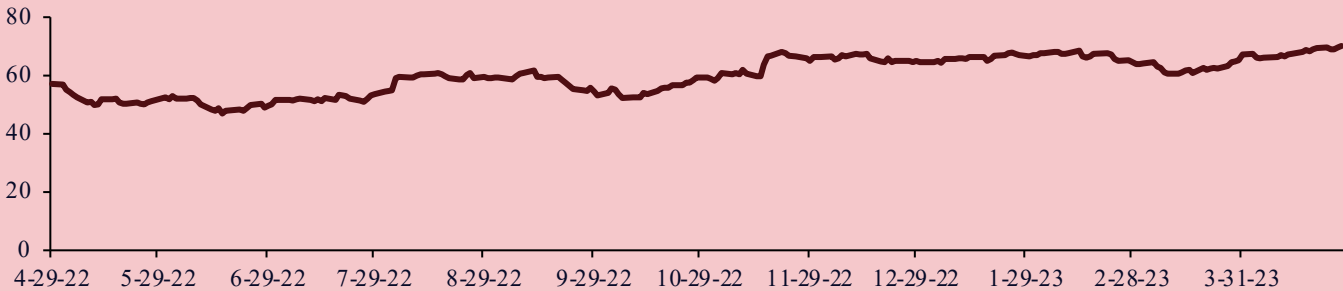
### Key Data

Sector	Fast Food Restaurants
Market Cap	\$30,300mm
52 Wk Range	46.94-68.48
Ticker	QSR

Revenue Breakdown FY22



### QSR



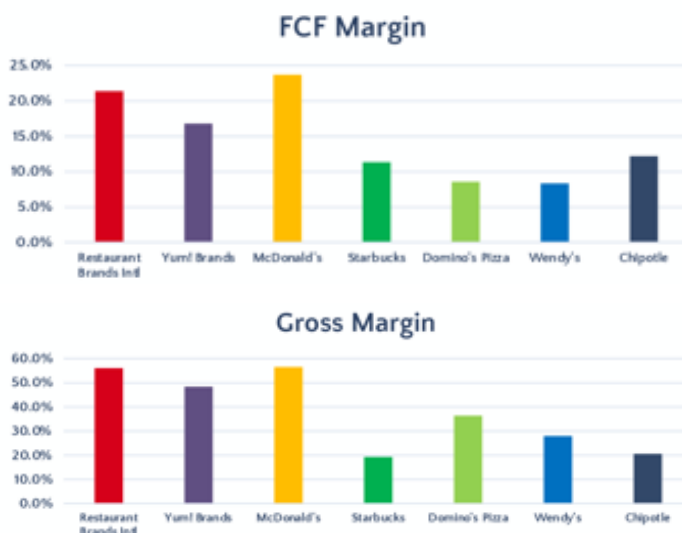
# Consumer and Retail (C&R)

## Restaurant Brands International

### Thesis Drivers:

### Vertical Integration:

Restaurant Brands International (RBI) has a competitive advantage in the restaurant industry through its unique vertical integration strategy. The company owns and operates multiple restaurant brands, including Burger King, Tim Hortons, and Popeyes Louisiana Kitchen, allowing it to streamline its operations and reduce costs through economies of scale. RBI's vertical integration also enables it to leverage its purchasing power across multiple brands, negotiating better deals with suppliers and lowering costs. Furthermore, the company's ownership of key supply chain operations, such as coffee roasting facilities and distribution centers, provides additional cost savings and control over the quality of its products. With its strong vertical integration advantage, RBI is well-positioned to deliver consistent growth and profitability across its multiple restaurant brands, while maintaining operational efficiency and cost-effectiveness.



## Novo Nordisk

### Investment Outcome:

We're targeting a price of \$171.54 representing a 16.2% upside potential.

### Thesis Drivers:

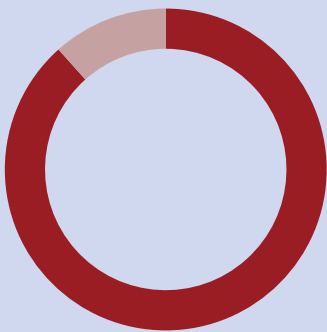
#### Growing Diabetes Solutions

With the cases of diabetes expected to grow significantly by 2050, Novo Nordisk is well-prepared to tackle this pressing health issue through its innovative products like Ozempic, Wegovy, and Rybelsus. These groundbreaking medications provide advanced treatment options that are crucial in addressing the anticipated rise in diabetes cases. Ozempic, a once-weekly injectable drug, has shown remarkable effectiveness in lowering blood sugar levels and supporting weight management. Wegovy, an injectable medication, has demonstrated outstanding success in facilitating sustainable weight loss, thereby reducing the associated risk factors of diabetes. Additionally, Rybelsus, an oral medication, offers a convenient solution for managing blood sugar levels in individuals with type 2 diabetes. Novo Nordisk's dedication to developing these innovative products reflects its commitment to improving patient outcomes and addressing the challenges posed by the expected surge in diabetes cases. By offering these transformative treatment options, Novo Nordisk is playing a vital role in proactively combating the projected growth of diabetes worldwide.

### Key Data

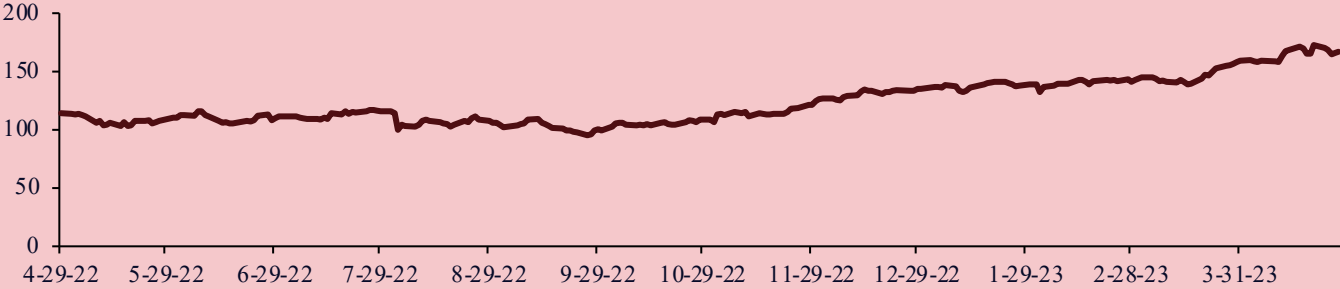
Sector	Pharmaceuticals
Market Cap	\$327,940mm
52 Wk Range	95.02-147.43
Ticker	NOVO-B

Revenue Breakdown FY22



■ Diabetes & Obesity Care  
■ Rare Disease Treatment

NVO



## Novo Nordisk

### Thesis Drivers:

#### Market leadership in GLP-1's

Novo Nordisk has established and maintained its market leadership in GLP-1s (glucagon-like peptide-1s), a class of medications used in the treatment of type 2 diabetes. With a commanding 54.9% value in market share, Novo Nordisk's dominance in the GLP-1s market is a testament to the effectiveness and trustworthiness of its products. GLP-1s are a critical class of medications that help regulate blood sugar levels by stimulating insulin secretion and reducing appetite. Novo Nordisk's innovative GLP-1 products, including Ozempic and Rybelsus, have set the standard for efficacy and patient satisfaction. Through extensive research, development, and a deep understanding of the needs of diabetes patients, Novo Nordisk has successfully maintained its market leadership position in GLP-1s, empowering healthcare providers and individuals with effective treatment options for managing type 2 diabetes.

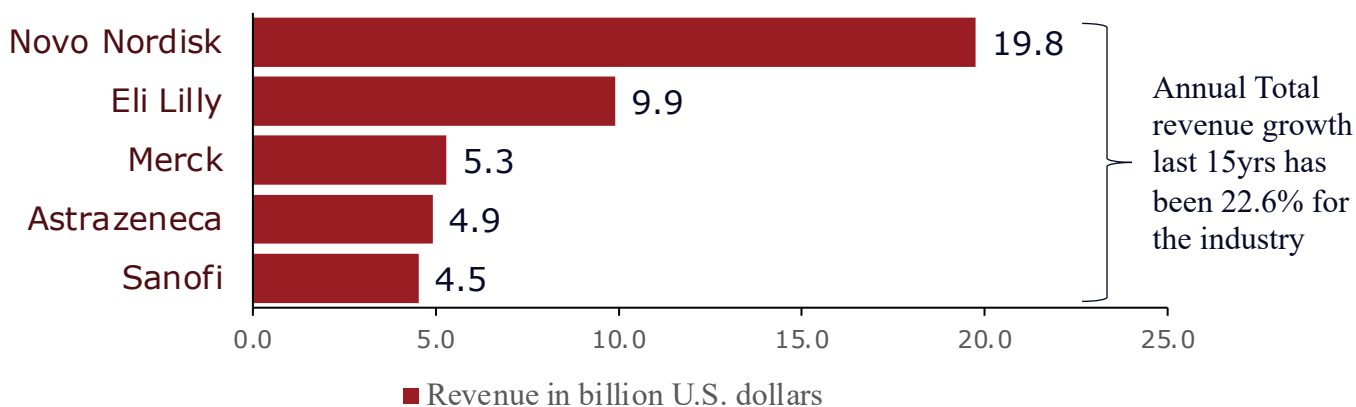
- Cases of Diabetes are Expected to Grow by 2050

- Market Leadership in GLP-1s Holding 54.9% Value in Market Share

- 31.9% of Diabetes Care is captured by Novo Nordisk

- 38% FCF Margins

### Global Diabetes Revenue







# Conclusion

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# Disclaimer

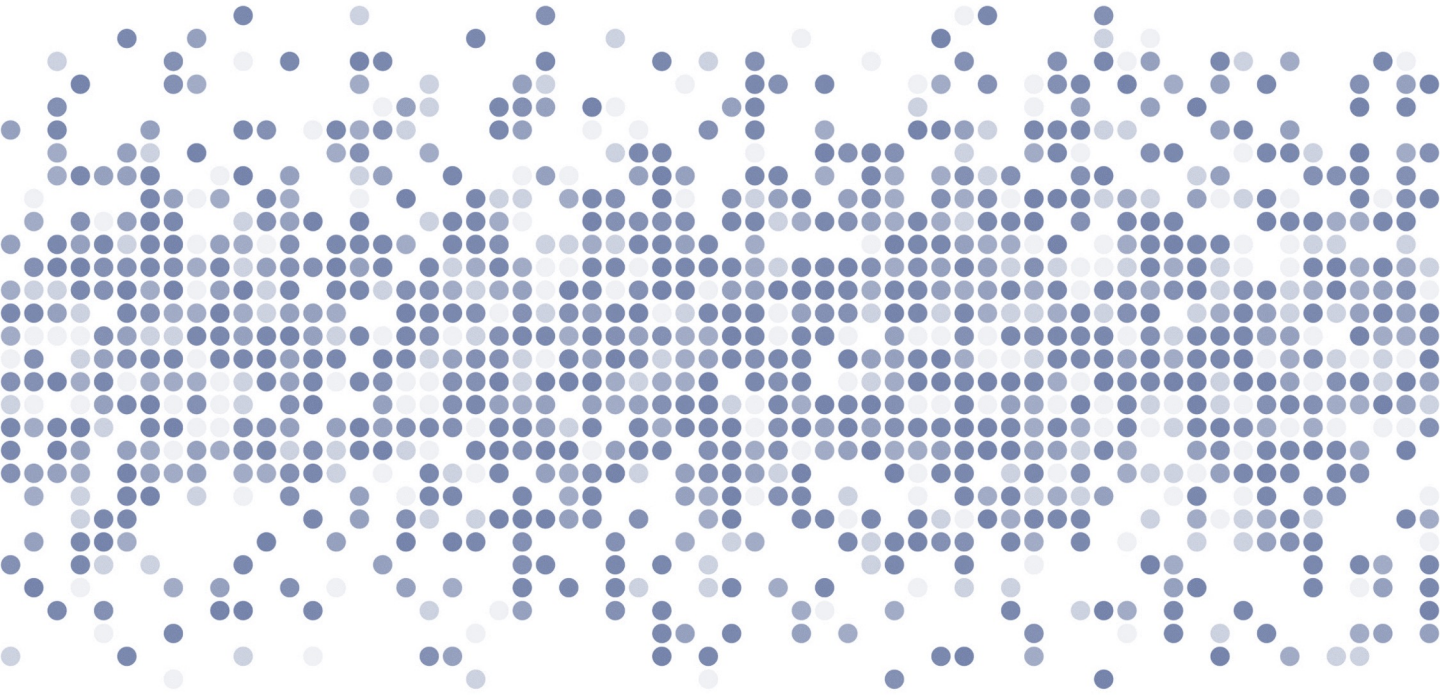
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The views and statements made concerning securities in this report are expressed by members of UTM Capital and do not constitute as professional investment advice.



# Thank you!

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UTM Capital would like to thank the UTM's Department of Management, members of staff, and faculty for their continued support.

We also would like to say thank you to the UTM's Li Koon Chun Finance Learning Center for providing access and education to key resources and being a supporting entity that helped provide a hands-on learning experience for all our members.

Finally, we would like to thank UTMSU for their on-campus support and recognition towards the entire UTM student body.