Q1 2024

BCV Asset Management Inc.

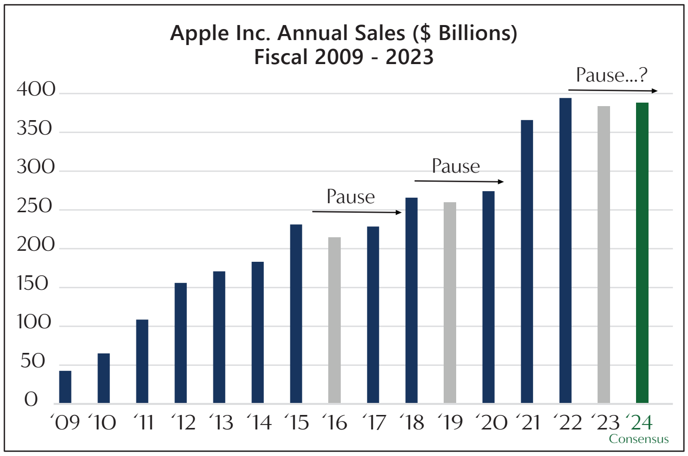
ANTARES TOTAL RETURN STRATEGIES

*Antares equity strategies focus on long-term total return through a combination of dependable income and capital appreciation. We build portfolios to align with individual client requirements, resulting in personal portfolios that lean more, or less, toward capital preservation, income generation, or growth. Visit **https://bcvassetmanagement.com/antares-total-return** for our webcast.*

MANAGER COMMENTARY

Client portfolios advanced over the quarter. Broadly speaking, your companies' earnings results were positive and share prices responded in kind. The market remained enamoured with artificial intelligence, to the benefit of portfolio holdings with exposure to it such as Applied Materials, Micron Technology, and Microsoft. The first two of these, originally purchased in 2022, are in the semiconductor industry which provides sophisticated building blocks for data usage and storage. The heavy data demands from AI amplify a long-term outlook that we already believed to be favourable. Notwithstanding their share price advances, the fundamentals keep us interested and invested.

Your shares of Apple, conversely, have been relative laggards in recent months after several years of strong performance. One reason is that revenue flattened in 2023 as some consumers put a pause on purchases after spending like sailors during the pandemic. As the chart illustrates, Apple's revenues over the 15 years ended September 2023 grew from $43 billion to $383 billion, a compound rate of 15.8%. But the growth was uneven and we highlight three periods where revenues declined (before recovering and reaching new highs). We assume the long-term trend will continue, though the rate of growth going forward is up for debate – true for all companies. A second reason for the shares' recent softness is that Apple has been silent on its AI strategy, unlike other large tech companies such as Microsoft and Google. It may come as a surprise to some that, historically, Apple has not been the first to adopt new technologies. The company's genius has been its ability to take advantage of others' innovations and improve on them within an integrated product suite. For this reason, we are not losing sleep over the shares, but we acknowledge they may be in no-man's land until investors see a clearer path to revenue growth.



Source: FactSet. Apple's fiscal years end in September of each year.

Persistence can be a virtue. Consider portfolio holding Vontier, which provides technical solutions to fuel stations in the form of gas pump payment technology and car wash software. We first purchased shares in August, 2021, at $34 (share prices are rounded) after the company had experienced a period of transitory above-normal revenue growth. A downturn in revenue was expected and was well telegraphed to investors. This contributed to a heavily discounted valuation compared to other industrial companies, eg. 14x expected 2021 earnings vs approximately 25x for others (source: J.P. Morgan Initiation Report, 26 May 2021). We were excited about the prospect of making a tidy profit, but we were "early" (i.e. "wrong") and the shares declined to as low as 6x forward earnings. After confirming our investment thesis was intact, we added to client positions as low as $20, which seemed rational but required a dose of courage given the market's lack of belief. We were right to be patient and clients have been rewarded with the shares rallying to end the quarter at $44. They remain objectively inexpensive at 14x forward earnings compared to the S&P 500 at 21x (source: FactSet), and we believe the conditions for further upside are in place given an improved outlook for sales and the potential for continued execution against achievable targets.

During the quarter, we added one company to the portfolio. CCL Industries is a diversified manufacturer of containers, tubes, and labels for the likes of Procter & Gamble and Johnson & Johnson. Though nominally Canadian and listed on the Toronto Stock Exchange, the company generates 98% of its revenues from abroad. CCL's wide geographic footprint is a competitive advantage. A key component to its growth strategy has been to acquire manufacturers across the globe that produce for regional markets. In recent years, acquisition activity tapered off due to heavy competition from private equity buyers that were bidding up prices to levels that did not allow for an adequate return on investment. CCL's board and management opted to sit on the sidelines, a testament to their conservatism and integrity. Going forward, we believe the tables will turn because private equity firms can no longer rely on cheap borrowing costs. We also believe that CCL is advantaged as an acquirer thanks to its financial conservatism (debt is low) and its operational acumen. As a side note, the purchase of CCL was financed in part by the exit out of Cisco Systems, where the outlook for growth had become less clear to us. CCL's outlook, conversely, appears relatively predictable and valuation is modest, a good starting point for new shareholders.

Thank you for your continued trust,

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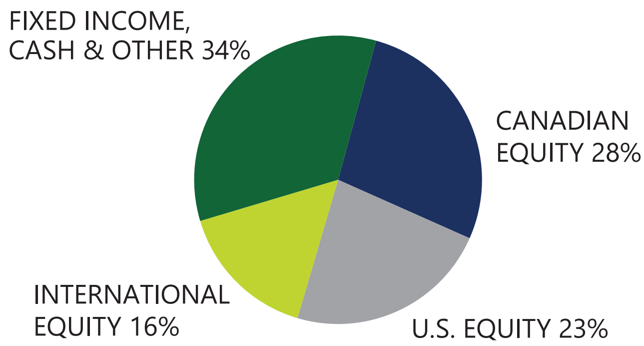
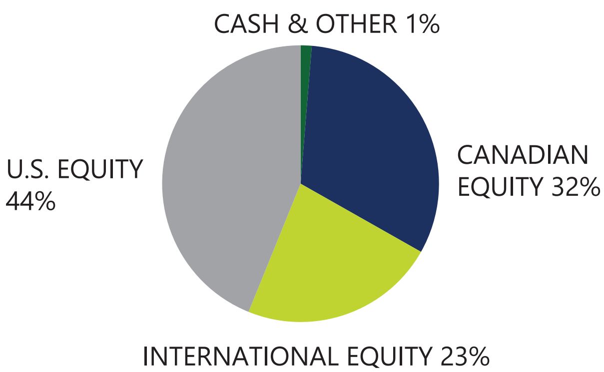
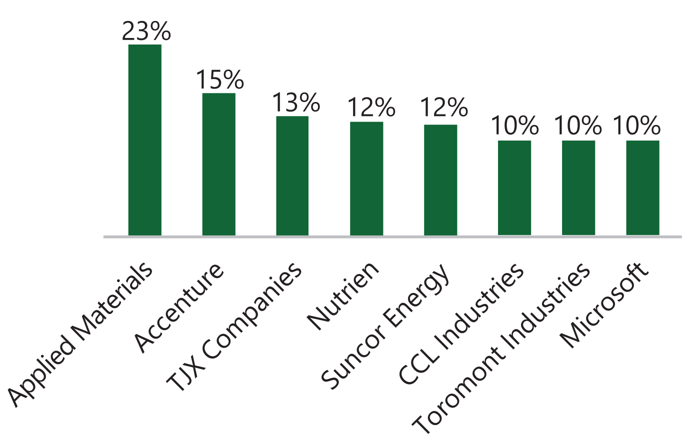
BALANCED POOL - ASSET ALLOCATION[1]



TOTAL EQUITY POOL - ASSET ALLOCATION[1]



NOTEWORTHY DIVIDEND INCREASES-LAST 12 MONTHS[1]



EQUITY HOLDINGS[1]

	DIVIDEND YIELD	5YR DIVIDEND[2] GROWTH RATE
CONSUMER DISCRETIONARY		
BorgWarner Inc.	1.3%	N/A
TJX Companies Inc.	1.3%	11.3%
ENERGY		
Gibson Energy Inc.	7.1%	3.7%
Pembina Pipeline Corp.	5.6%	3.3%
Suncor Energy Inc.	4.4%	7.3%
FINANCIALS		
Berkshire Hathaway Inc.	N/A	N/A
JP Morgan Chase & Co.	2.3%	8.6%
Royal Bank of Canada	4.0%	7.1%
HEALTHCARE		
Gilead Sciences, Inc.	4.2%	5.2%
Novo Nordisk A/S Sponsored ADR Class B	0.8%	17.2%
Roche Holdings Ltd-Sponsored ADR	2.7%	N/A
INDUSTRIALS		
CCL Industries Inc.	1.7%	14.1%
Ferguson plc	1.4%	N/A
Stantec Inc.	0.7%	7.4%
Toromont Industries Ltd.	1.5%	13.0%
Union Pacific Corp.	2.1%	10.1%
Vontier Corp.	0.2%	N/A
INFORMATION TECHNOLOGY		
Accenture plc	1.5%	11.6%
Apple Inc.	0.6%	5.6%
Applied Materials Inc.	0.8%	9.9%
Constellation Software Inc.	0.1%	0.0%
Fiserv, Inc.	N/A	N/A
Micron Technology, Inc.	0.4%	N/A
Microsoft Corporation	0.7%	10.2%
TE Connectivity Ltd.	1.8%	6.0%
MATERIALS		
Agnico Eagle Mines Ltd.	2.7%	29.5%
CRH plc	1.6%	5.2%
Nutrien Ltd.	4.0%	15.4%

PORTFOLIO CHANGES[1]

▲ CCL Industries Inc.
▲ CRH plc
▲ Micron Technology, Inc.

▼ Cisco Systems, Inc.
▼ JP Morgan Chase & Co.

1. Sources: Bloomberg & FactSet for dividend data, NDEX for portfolio data. All data as at quarter end.
2. Calculated in Canadian dollars for all holdings.

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