Q2 2023

ANTARES INVESTMENT MANAGEMENT

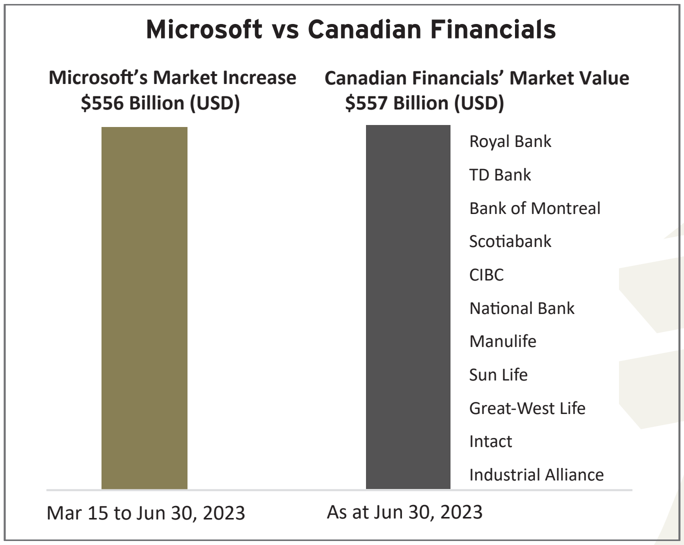
TOTAL EQUITY & DIVIDEND INCOME / BALANCED STRATEGIES

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.

MANAGER COMMENTARY

Client portfolios advanced during the quarter and are up year to date. As a general observation, the laggards and leaders of 2022 reversed places during the first half of 2023. For example, the U.S. technology sector was down 29% in 2022, but rose 42% to June 30, 2023. Among other companies in that sector, your portfolio holds Apple and Accenture, up 49% and 16% year to date, respectively.[1] Conversely, after a strong 2022, natural resource companies are generally down in 2023. The U.S. energy sector, for example, rose 59% in 2022 followed by a 7% decline year to date in 2023. In your portfolio, Nutrien (fertilizers) and Suncor Energy were down 20% and 7% to June 30, respectively. As a reminder, we routinely adjust portfolio weightings in light of our ongoing analysis.

Investors boarded the artificial intelligence ("AI") bandwagon after Microsoft's CEO announced that the company would be integrating generative AI into its Office 365 software. From March 15 (the day before that announcement) to June 30, 2023, Microsoft's shares rose from $265 to $340[2], a change in market value of $556 billion. For context, this equates roughly to the aggregate market value of Canada's six largest banks and five largest insurers, which stood at $557 billion at June 30, 2023. In other words, the three-and-a-half months' *change* in Microsoft's market value equated to the *combined* market value of 11 of Canada's larger financial companies. Yowsah! There is a broad agreement that AI will be a game changer. With that said, AI has become the shiny new object for market cheerleaders, which tells us we must be mindful of the risks even as we are open to the opportunities.



Source: FactSet, Bloomberg

During the quarter we added one company to the portfolio. Ferguson PLC is a distributor of specialized plumbing parts, a business that tends to grow in line with renovations and maintenance on the one hand, and new construction on the other. The company has been going through changes in the past few years that we believe are creating long-term value. It divested its underperforming European and British operations; what's left is a North American company that generates consistent and growing profits on rising sales. Ferguson has a scale advantage with 1,720 locations and 11 distribution centres, and is a consolidator within the industry. Its well trained staff are able to provide value-added solutions to large commercial customers, a point of differentiation from many of its regional competitors. Potential icing on the cake: the recent change of share listing from London to New York seems likely to get the stock onto the radar of U.S. institutional investors, which could lead to a higher valuation over time.

Shares of portfolio holding Gibson Energy have drifted lower in sympathy with a lower oil price and in response to higher bond yields. We believe the market is overlooking the value potential. Gibson's main assets are oil storage tanks in Alberta, a profitable but slow-growth business. The company has been a prudent steward of excess cash, paying down debt and raising dividends in line with growth. Recently, Gibson announced its intention to acquire an export facility with storage tanks in Texas. The valuation paid is expected to allow for immediate per share growth of cash flow. These new assets provide the company with an additional geography in which to deploy capital. We believe this could lead to accelerated growth and broaden investor interest in the stock. Putting on our speculative lenses, Gibson itself could make an attractive acquisition candidate for a larger company. Its post-acquisition enterprise value (i.e. the value of its debt and equity) will be approximately $6 billion, small potatoes compared to an Enbridge in Canada ($172 billion) or a Kinder Morgan in the U.S. ($64 billion in USD). We believe patience will be rewarded; in the meantime you collect dividends at a rate of 7.5% (as at June 30, 2023).

Thank you for your continued trust,

Alec MacIsaac, CFA
Ricardo Melo, CFA

[1] *Sources for data in this commentary: Bloomberg, FactSet, company presentations.*
[2] *Numbers in this paragraph are rounded and expressed in USD.*

Visit www.antaresinvestment.ca/webcast for our recent video portfolio update.

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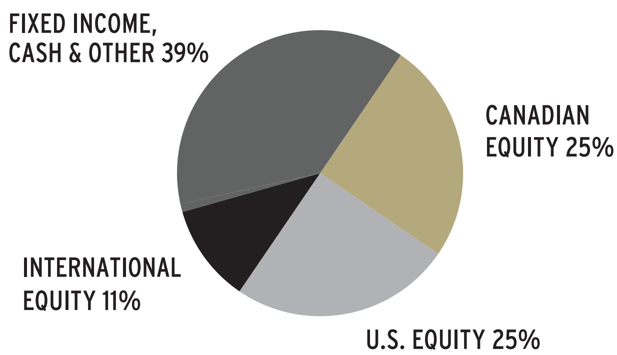
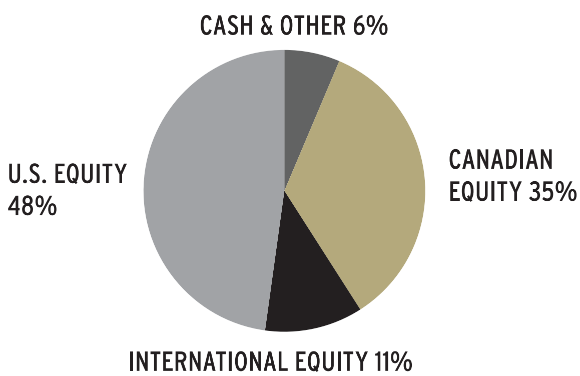
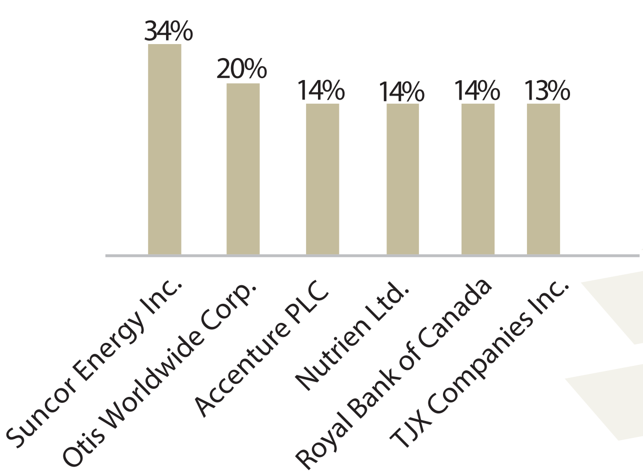
BALANCED POOL - ASSET ALLOCATION[1]



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.	1.4%	0.9%
TJX Companies Inc.	1.6%	12.9%
ENERGY		
Gibson Energy Inc.	7.5%	2.9%
Pembina Pipeline Corp.	6.4%	4.0%
Suncor Energy Inc.	5.4%	8.3%
FINANCIALS		
Berkshire Hathaway Inc.	N/A	N/A
Brookfield Corp.	0.9%	N/A
JPMorgan Chase & Co.	2.8%	12.9%
Royal Bank Of Canada	4.3%	7.5%
HEALTHCARE		
Gilead Sciences, Inc.	3.9%	6.3%
Novo Nordisk A/S Sponsored ADR Class B	0.8%	6.5%
Roche Holdings Ltd-Sponsored ADR	2.2%	N/A
INDUSTRIALS		
Ferguson PLC	1.9%	N/A
Otis Worldwide Corp.	1.5%	N/A
Stantec Inc.	0.9%	7.4%
Toromont Industries Ltd.	1.6%	14.3%
Union Pacific Corp.	2.5%	13.8%
Vestas Wind Systems ADR	0.1%	N/A
Vontier Corp.	0.3%	N/A
INFORMATION TECHNOLOGY		
Accenture PLC	1.5%	10.2%
Apple Inc.	0.5%	7.3%
Applied Materials Inc.	0.9%	17.1%
Cisco Systems Inc.	3.0%	5.0%
Constellation Software Inc.	0.2%	0.0%
Fiserv Inc.	N/A	N/A
Micron Technology, Inc.	0.7%	N/A
Microsoft Corp.	0.8%	10.0%
INFRASTRUCTURE		
Brookfield Infrastructure Partners L.P.	4.3%	5.4%
MATERIALS		
Agnico Eagle Mines Ltd.	3.3%	31.3%
Nutrien Ltd.	3.6%	N/A
TELECOMMUNICATIONS		
Verizon Communications Inc.	7.0%	2.0%
UTILITIES		
Canadian Utilities Ltd-A	5.2%	3.5%

PORTFOLIO CHANGES[1]

- ▲ Ferguson PLC
- ▲ Gibson Energy Inc.
- ▲ Accenture PLC
- ▼ Bank of Nova Scotia
- ▼ Verizon Communications Inc.

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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