



UTMCAPITAL

## **Guide for Investment Teams**

**2023/2024**

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## About UTM Capital

UTM Capital (UTMCAP) is the first and only student-led investment fund at the University of Toronto - Mississauga. 2023/2024 will mark the 6<sup>th</sup> academic year that fund has been active. UTMCAP acts as a long-oriented investment fund that aims to manage its assets under management in a manner that is value-driven and is reminiscent of its fiduciary duty to investors. Investment teams comprising of Leaders, Senior Analysts, and Analysts who work together to curate investment ideas for the fund. Investment ideas are presented at the annual UTMCAP Closing Ceremony, where the winning teams' proposed stock will be purchased by the fund at a set allocation size. Throughout the academic year, UTMCAP hosts a variety of events catered to education and professional development.

UTMCAP is open to all UTM undergraduate students regardless of their academic track-record or program of study. There is no membership fee required to join as a member of UTMCAP, and there is no associate membership fee structure. General club members are categorized into the three aforementioned roles:

**Analysts** – General club members who help make up teams of members that work and enjoy club experiences together. Analysts additionally aid in the research of companies within an industry group and work on investment ideas.

**Senior Analysts** – Senior club members who help oversee their respective groups and take on a lead role in equity research. Senior Analysts are considered favorable candidates as future investment leaders and are appointed by current investment leaders during the academic year.

**Investment Leaders** – Group leaders that are tasked with helping lead their respective group in participating in club events, activities, and other club offerings. Such leaders will also lead investment presentations for the fund and ensure that each member of their respective group is given the opportunity to learn and present ideas at UTMCAP.

The Fund is governed by a four-part value minded investment approach, which includes the analysis of macro trends, corporate strategy, financial statements, and equity valuation.

**Macro Trends** – This focuses on industry drivers, global development, and broad-based factors. In short, this is the big-picture, top-down component, and context for the investment.

**Corporate Strategy** – This focuses on Porter's Five Forces, SWOT analysis, competitive advantage, and what the management's vision is. This can also include the culture and the discipline of an organization.

**Financial Analysis** – This focuses on the income statement (profitability, fixed vs. variable expenses, R&D, margins, and historic growth), balance sheet (capital structure, debt, equity, assets, cash, book value), and other financial metrics (often industry specific).

**Equity Valuation** – This includes DCF, comparable company valuation, and other valuation techniques.

## Coverage Groups

Coverage groups have been re-organized and expanded to better mimic a legitimate investment company since the 2022/23 year.

The following coverage groups will be:

- **TMT – Technology, Media and Telecommunications**

*Example Companies: Tesla, Meta, Universal Music Group, AT&T – Time Warner*

- **PU&I – Power, Utilities, and Infrastructure**

*Example Companies: General Electric, Fortis, Hydro One, Brookfield Infrastructure*

- **Healthcare**

*Example Companies: CRISPR, Pfizer, J&J, Intellia Therapeutics, Teladoc*

- **M&M – Metals and Mining**

*Example Companies: MP Materials, Rio Tinto, Barrick Gold, BHP*

- **C&R – Consumer and Retail**

*Example Companies: Costco, Nike, Lululemon, Coca-Cola, McDonalds*

- **FIRE – Finance, Insurance, and Real Estate**

*Example Companies: RBC, JP Morgan, Berkshire Hathaway, American Tower Corp.*

These coverage groups are core themes found throughout majority of sell-side investment companies and cover the majority of industries that investment bankers work on. Previous winners of UTMCAP's Stock Pitch competition have come from a variety of coverage groups, thus there is never a 'right' coverage group to be a part of:

2022/2023 winner – Metals and Mining– **Lundin Mining Corporation**

2021/2022 winner – Commodities (now: Metals and Mining) – **MP Materials**

2020/2021 winner – Healthcare – **Bristol Myers Squibb**

2019/2020 winner – Healthcare – **Zoetis**

2018/2019 winner – Technology (Renamed as TMT) – **Take2 Interactive**

## Stock Criteria

The following is a set list of criteria that a company must match in order to qualify for the UTMCAP annual closing ceremony pitch.

1. The company must have a minimum market cap of \$1,000,000,000 USD.
2. The company must be listed on one of the following exchanges:
  - TSX
  - TSXV
  - CBOE
  - NYSE
  - NYSE ARCA
  - NYSE AMERICA
  - NYSE CHICAGO
  - NASDAQ

*(If it's a North American company, it is most likely listed on one of these exchanges)*

3. If the company is dual listed, both exchanges must be a part of the list shown above.

*Accepted Example: Royal Bank of Canada dual listed as RY.TO & RY on the TSX & NYSE.*

*Denied Example: Alibaba Group Holdings dual listed as BABA & 9988.HK on the NYSE & HKSE.*

4. The company must have publicly traded for at least 2 years.
5. The company's long-term debt rating is greater than B according to the Dominion Bond Rating Service (DBRS)/ Standard and Poor's/ Moody's/ Fitch.
6. The company cannot be in the business of nor have a substantial dependence on any 'vice' products, services, or partnerships i.e., Tobacco, Marijuana, Gambling, etc.
7. If the company is delisted / taken private during the research period, the given investment team must search for a new company to pitch.
8. Special Purpose Acquisition Companies (SPAC's) are not allowed unless a letter of intent for a specific company has been executed by the sponsor and the target company is set to be listed on one of the allowed exchanges. Financial information regarding the private company must also be made public in order to be scrutinized as part of the financial analysis portion of the investment thesis.

## **Timeline**

The following is an approximate timeline for all investment teams to refer to throughout the semester. Specific dates regarding the submission of items/information are subject to announcements from the UTMCAP leadership team.

### **September**

Investment teams are grouped and begin preliminary research.

### **October**

Investment teams continue preliminary research and narrow down universe of companies.

### **November**

Investment teams undergo preliminary presentations/private discussions with UTMCAP's Chairman and leadership team at their own discretion.

### **December**

Investment Leaders appoint Senior Analysts and submit registration information to the UTMCAP Leadership team. The number of Senior Analyst spots granted will be dependent on group size, but only a maximum of three can be selected.

Investment teams confirm their company of choice for UTMCAP's Closing Ceremony Pitch.

### **January**

Investment teams continue research and building out their final presentation.

### **February**

Test-run presentations take place.

### **March**

UTMCAP Stock Pitch Competition takes place during the Closing Ceremony.

Investment teams submit word files of their investment thesis to be included in the UTMCAP annual letter.

### **Notes on FLC Meetings:**

UTMCAP meetings that are hosted in the FLC are an opportunity for investment teams to collaborate and continue their research in a privately booked venue for their convenience. Members of UTMCAP's leadership team and Chairman are present to guide teams on their investment ideas, offer differing perspectives, and serve as an audience for test-run presentations. In addition, all FLC resources and staff are available for UTMCAP members to ask questions and familiarize themselves with all the great resources the FLC has to offer.

## Presentation Requirements

Investment teams can curate their investment presentations in any way they deem fit. However, there are a set number of requirements that must be included in the Stock Pitch presentation in order to be considered. These include the following:

1. Company overview
2. Industry overview
3. Company Business model
4. Financial Summary
5. Risk Exposures
6. SWOT analysis
7. Porter 5 analysis
8. Valuation
  - DCF Analysis
  - WACC Calculation
  - Ratio comparisons
  - Football Field Chart

Other elements / key details of the presentation are encouraged and may differ depending on the coverage group presenting, such as:

- Macroeconomic outlook
- Notes on relevant M&A activity
- Arbitrage opportunities
- Relevant commodity prices
- EPS forecast
- DuPont Analysis
- Investment Analyst price target averages

Please be advised that the average run-time for each presentation will go for roughly 20 – 30 minutes. Previous club presentations serving as examples will be made available on our website.