DM MONTHLY REPORT
September 2023

PORTFOLIO ACTIVITY

During the summer, we continued to harvest profit on surging tech names, trimming (for example) our weight in Microsoft and adding this capital to Visa. On the Canadian side, we upped our initial position in Aritzia on price weakness, using funds from the sale of Gildan Activewear.

FEATURE STOCK
Booking Holdings Inc. (BKNG)

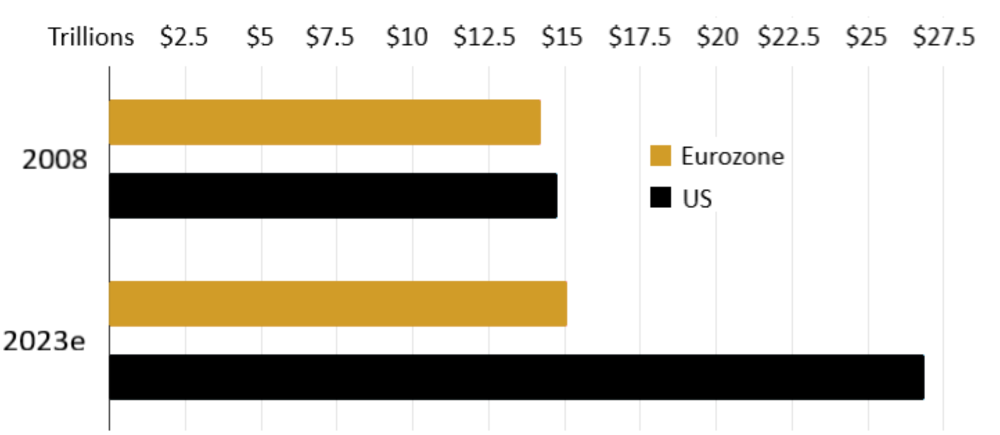
In early August, BKNG reported earnings for Q2-23 and they were impressive, with income jumping by 97% over the year-ago period and exceeding the consensus estimate by 30%. Pent up travel demand following covid helped drive growth in everything from room nights to car rentals, with each of BKNG's major brands contributing to recent success: Booking.com (its largest business) posted a 36% rise in bookings for accommodations and flights, Priceline's hotel and rental car bookings climbed by 21%, and KAYAK's airline bookings surged by 43% year-over-year. BKNG's earnings are helped by its ability to maintain industry-leading margins by aggregating demand across its brands when negotiating with suppliers. Beyond reflecting a sharp recovery in travel activity, the company's latest results highlight its ability to navigate inflationary pressures, recession fears, and currency headwinds, all of which have recently been sighted as challenges by other industry members. So far this year, BKNG shares have risen by more than 50%.

WHY HASN'T DM CREATED A GLOBAL EQUITY PORTFOLIO?

On several occasions, we've contemplated launching a global equity offering but each time we back away from the idea, principally because we're unable to make a great investment case for the undertaking. Paramount among reasons is that equity markets outside of N. America don't fit well with our investment approach. Though it's the world's second largest economy, China is uninvestable to us for a host of reasons which probably don't need naming. Japan, as a major developed market, is interesting but more as a bet that the Nikkei will inevitably awaken from its multi-decade slumber than as a ringing endorsement of the country's economic future. Emerging markets are generally too risky for us and too exposed to adverse macroeconomic events (plus, they tend to be highly correlated with the TSX, limiting diversification benefits). All of which leaves Europe as the most natural place for DM to deploy capital.

Unfortunately, however, the unrelenting economic headwinds faced by that part of the world tend to overwhelm any positives we might uncover through individual stock analysis. The European economy is weighed down by significant demographic and structural shortcomings which are unlikely to be overcome anytime soon, while Britain's fateful decision to leave the EU could set its economy back by a decade or more. As the chart below illustrates, the Eurozone economy was about the same size as the US in 2008, but is now barely half its scale. Not only has this stagnancy caused the European economy to plunge in size relative to the rest of the world, it's meant that the weight of its stock markets in the global basket has dropped by about 50% over the past two decades.

Instead of investing directly in markets outside of North America, we'll likely continue our practice of gaining global exposure through the revenue footprints of major multi-national companies, such as Apple, Visa, and Brookfield Infrastructure Partners. Should the perceived opportunity of moving beyond our shores improve significantly, however, it's certain that a DM global mandate will follow.



Source: *International Monetary Fund*