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DM MONTHLY REPORT
May 2025

PORTFOLIO ACTIVITY

In April, we used some of the accumulated cash in DM Cdn. Equity to add to trucking company TFI Intl., which was pressured by tariff news. In DM US Equity, we trimmed Comcast and added to our position Methanex.

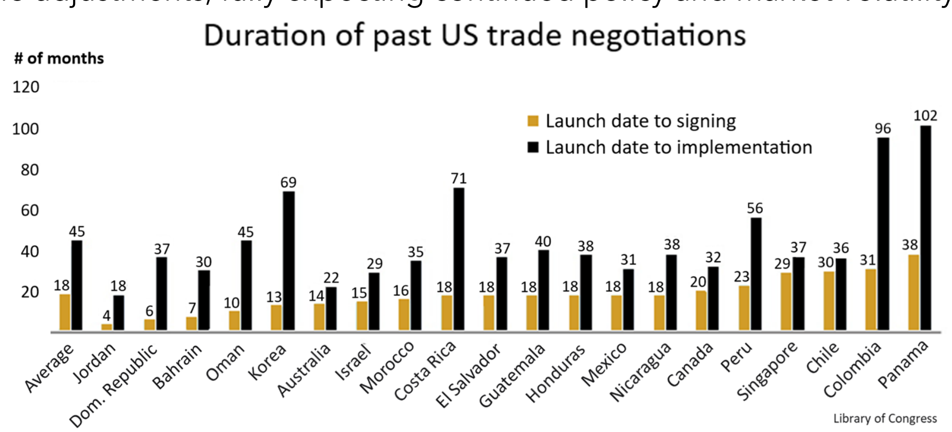
FEATURE STOCK
Microsoft (MSFT)

In January, we added to our long held position in MSFT and, in the process, made it the largest holding in DM US Equity. The addition was driven by the scale economics enjoyed by its Azure cloud business, the network economics which characterize its office suite of products (i.e. as more users adopt these tools, their collective value increases), and by the high switching costs faced by its enterprise customers, who become tied to an integrated ecosystem of products and services. As well, MSFT provides us with exposure to the high growth artificial intelligence sub-sector, supported by the massive cash flows generated by its more mature business lines. And, as mentioned in the adjacent panel, we captured the additional benefit of increasing our weight in a company which isn't as significantly impacted by tariffs as many of its peers. In its release of Q1-25 earnings, MSFT delivered better than expected results on both the top and bottom lines, growing revenue at a 13% year-over-year clip and earnings by 18% over the same period. On this news, the stock jumped by 7% and has now outperformed the S&P by about 8.5% in 2025.

THINKING ABOUT THE SECOND SHOE

In what has been an eventful start to the second Trump presidency, April saw the Oval Office news flow jump to new heights. The sequence commenced in the month's first week with the release of the government's sweeping plan for tariffs against virtually every country in the world *(including some jurisdictions which don't even contain human inhabitants!)*. Though investors and business leaders were given plenty of warning that such a program would be forthcoming, the sheer size and scope of it was jarring. In fact, the S&P promptly shed 5% and 6% in the ensuing two trading sessions and, even more importantly to financial system stability, bonds sold off sharply at the same time. The decisiveness of these moves caused the government to walk back some of its rhetoric, and so began a back and forth pattern of trade sanctions and subsequent accommodations. Stocks took their cue from this administrative impulsiveness and posted one of their most volatile months in recent memory, with the S&P moving by 1% or more in nine of twelve days during one stretch and, mid-month, posting a single day gain of nearly 10%.

Of course, financial markets are just one part of the story and very soon the material impact of the new US trade regime will begin to hit the real economy. We're now hearing about cancelled goods shipments from China and the possibility of empty store shelves akin to the covid experience, while many US small businesses speak of an existential crisis. These considerations are occupying much of our discussion during DM investment committee meetings, as we think about risk management in our various mandates. At the same time, however, we're also cognizant that much, if not all, of what we might contemplate has also been digested by the market and that making big changes based on known factors is unlikely to yield much benefit. That said, the risk-reducing moves we made around the turn of the year have helped significantly. For example, our trim of Apple, whose products face meaningful tariff implications, and our add to Microsoft, which mostly sells services, has added considerable value. The US government has set an ambitious plan to complete 90 trade deals in 90 days which, based on history, would be an epic achievement and so we'll continue to watch events unfold and make appropriate portfolio adjustments, fully expecting continued policy and market volatility.



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