COMMODARI ANTINORI GROUP / BMO NESBITT BURNS

COMPANY DEVELOPMENTS: JANUARY 2022

Portfolios managed by Commodari Antinori Group enjoyed a prosperous year in 2021. Characteristically so, after an abrupt shift like the one that appears to have recently soured the markets' mood - putting an end to a streak of new highs dating back to November 2020 - many of you are on edge wondering if this is the year where markets come crashing back down to earth.

As discussed in our newly released video: *Bracing for Turbulence*, our view at Commodari Antinori Group is that trying to pinpoint a catalyst for stock market movements is an irrelevant and unprofitable exercise. Despite occasionally causing us indigestion, we have long ago accepted volatility as the handmaiden to opportunity and welcome its presence knowing it causes the mispricing that eventually leads to profit.

On that front, the table below outlines our top holdings and shows their respective 12-month total return to the end of 2021.

Source: BMO Retail Information Systems Holdings	% of Equity 31-Dec-20	Price Change[1]	% of Equity 31-Dec-21
Unitedhealth Group	4.1%	42.5%	5.8%
Micron Technology	-	23.3%	5.6%
Ishares Capped Energy Index	4.8%	80.2%	5.5%
Toronto-Dominion Bank	5.2%	34.8%	5.4%
Anthem	-	43.7%	4.9%
Alphabet Cl. C	4.0%	64.4%	4.1%
Carmax	3.9%	37.2%	3.8%
Meta Platforms / Facebook	4.1%	22.6%	3.7%
Power Corp.	3.4%	43.0%	3.6%
Rolls Royce Holdings PLC	2.5%	2.1%	3.5%
Nutrien	3.4%	55.2%	3.5%
Intercontinental Exchange	-	18.1%	3.2%
Berkshire Hathaway	4.0%	28.4%	3.1%
Jacobs Engineering Group	3.9%	27.2%	2.9%
Charles Schwab	3.2%	57.8%	2.7%
	46.45%		61.13%

Rather than try to guess what might happen next week or next year, we believe it more prudent to own a portfolio of market leading businesses that distinguish themselves through the quality of their management, durability of their franchise, and strength of their balance sheets. When all three of the above elements are infused into one business and combined with a favorable purchase price, great things happen.

Then, all that remains to be done is to watch over our garden of stocks; periodically harvesting gains along the way all the while trimming weeds and, of course, planting new seeds for future harvests. Here are some notable developments.

Arista Networks - our best performing stock last year - is firing on all cylinders with one of the best management team in the business. As a reminder, Arista makes high speed networking switches for data centers. We originally bought Arista during a limited window of opportunity two years ago when the market feared that their relationships with their largest customers (Facebook & Microsoft) were fraying.

Those fears have now abated and the stock has more than doubled since we've owned it even though earnings growth paused during that timeframe. As a result, the valuation has become much more demanding in what is a highly competitive and cyclical industry so, based on price, we made the decision to reduce our position.

CarMax reported record sales last year however, as sometimes happens on Wall Street, expectations were for even better results and so, recently the stock gave back some of their gains. The top-line story remains impressive however, as it was supported by record unit sales for both retail and wholesale used vehicles – not just higher used car prices.

Costs have been elevated recently because of CarMax's ongoing effort to meet their clients where they want to shop and become a true omni channel retailer. This is an expensive multi-year effort but so far, the evidence shows that the money is being well spent so we don't mind a period of elevated selling, general & administrative costs.

Rolls-Royce Holdings - Even good businesses occasionally become mired in difficult circumstances. That's an understatement when considering Rolls-Royce which continues to suffer the effects of a COVID disrupted travel market. It is both tiresome and frustrating to watch Rolls - and our capital - languish for all these years. However, removing emotion from the equation, we believe that there is large upside potential in the business once airlines resume flying long-haul routes with pre-COVID frequency.

Alibaba Group - our only new addition in the second half of the year - is one of China's leading online and mobile commerce companies and the largest such company in the world in terms of gross merchandise volume.

We started building our position in late July after investor sentiment turned bearish on the name following heightened regulatory pressure from Chinese officials and added to our position recently as the market routed the technology sector.

We do not share the view that the Chinese government is out to destroy the economic miracle that lifted over 800 million people out of poverty the last quarter century and, based on valuation, believe the upside outweighs the risk. As an aside, we were encouraged to see that Charlie Munger, Warren Buffett's partner at Berkshire Hathaway, earlier in the year established a meaningful position in Alibaba, and substantially added to that position in the third quarter.

Some of you may have noticed we sold Alibaba late last year. Rest easy, we are not playing favorites but rather, just triggering some tax losses for you. We plan on buying the shares back soon if it was not done so already.

Saputo was one of our worst performing stocks last year as llingering disruptions of the pandemic, along with the presence of a new COVID-19 variant hurt the company's operations. Higher input costs, labor shortages and supply-chain disruptions associated with port inefficiencies have also adversely impacted export sales volumes. We are optimistic that operations will improve in fiscal 2022 onward and believe that based on the current price, Saputo has more upside potential than downside risk.

We face an uncertain outlook. But alas, it has always been so, and forever will be! Unlike commentators with their crystal balls who predict with precision where the stock market, economic growth, inflation or interest rates will be next year, we are not uncomfortable to say we just don't know - no one does!

What we do know is that we have assembled a portfolio of high-quality companies. If you are a long-term investor, it is the outcomes at these businesses and not stock market gyrations that ultimately will determine our long-term investment success.

As always, thank you for your support.

M. Antinori

A. Commodari

Mario Antinori
Portfolio Manager
Tel. : 514.286.7311
mario.antinori@nbpcd.com

Alessandro Commodari
Portfolio Manager
Tel. : 514.286.7254
alessandro.commodari@nbpcd.com

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COMMODARI ANTINORI GROUP
1501 McGill College Avenue, Suite 200
Montréal, Québec H3A 3M8
CommodariAntinoriGroup.com