

### PORTFOLIO ACTIVITY

In November, we liquidated select positions in DM Canadian Equity for tax-loss purposes and used the resulting funds to increase weights in Suncor and Canadian Natural Resources. Elsewhere, we used accumulated cash to boost our allocations to Middleby Corp. and Nutrien Ltd.

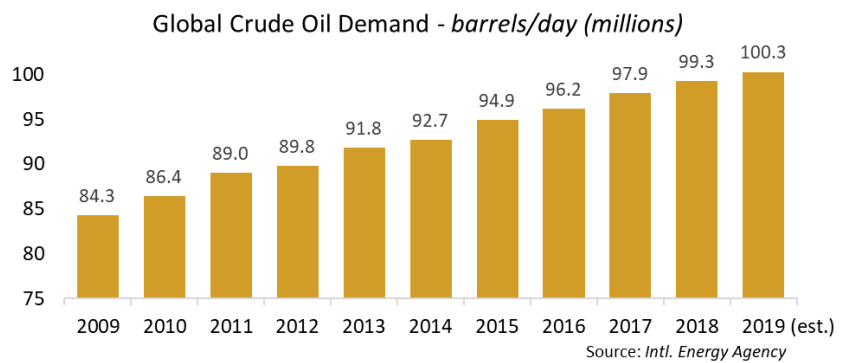
### FEATURE STOCK

#### *HCA Holdings Inc. (HCA)*

With 185 hospitals and 119 surgery centers, HCA is the largest healthcare facility operator in the US. We first acquired the stock in mid-2015 and, since then, it's outperformed the broad S&P 500 by more than 2% annually. Share price appreciation has been driven by earnings growth, which has flowed from astute capital management by the company. In 2019, for example, HCA will generate roughly \$6.5bn in cash flow from operations. Ordinarily, it spends in the range of \$1.8-2bn on "run of the business" capital expenditure; this year, however, capex will total about \$3.7bn, with excess disbursement focused on increasing bed capacity in the key Florida and Texas markets. Such targeted investment has helped to drive best-in-class organic earnings and cash flow growth over the past several years. In early October, we added to our position in HCA when the stock sagged on fears of increased healthcare regulation. Since then, the stock is up 22%, prompting us to trim its portfolio weight.

### WHAT IF THERE'S A THIRD WAY?

The recent federal election might have been the most divisive in our history, with the political map almost perfectly cleaved at the Manitoba/Ontario border. No topic separated attitudes more than the fate of our energy assets, with one side dug in for jobs and revenue, and the other counting these benefits as insignificant relative to our collective responsibility for the environment. What if these positions aren't mutually exclusive, though? What if the case for Canadian energy development and the best intermediate course for the global environment were one and the same? The chart below shows world oil consumption over the past decade, which will soon pass 100m barrels/day for the first time:



If both sides could agree that this demand profile will only be altered by changes in consumer habits, and not by what one country does or doesn't do with its undeveloped reserves, the discussion might then become more constructive. Consider this: in 2018, Canada was the world's #4 crude oil exporter, with Saudi Arabia, Russia, and Iraq sitting above us on the list and the spots below occupied by nations like Iran, Nigeria, Angola, Libya, and Venezuela. Within the top 10, no country was even close to Canada in its care for the environment (as per the Yale/Harvard Environmental Performance Index) and, for good measure, we also ranked first in terms of human rights (according to the Cato Institute) and were by far the least corrupt (as judged by Transparency International).

Removing or diminishing Canada as a supplier would have at least two effects: first, it would cause demand to be filled by one of more of the sector's less ecologically responsible producers and, second, it would almost certainly raise prices. Unfortunately, both of these outcomes would result in a significant wealth transfer to the world's worst actors. Increasing Canadian energy output and revenue, on the other hand, would provide more tax dollars for us to direct toward innovation and environmental stewardship, while simultaneously edging out dirtier (and less ethical) production. If our energy industry continues its march toward ever cleaner barrels and those presently opposed to the sector take a harder—and more *dispassionate*—look at the ends they're actually trying to reach, this might inspire a national strategy that calls for more, not less, Canadian oil and gas.