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DM MONTHLY REPORT
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PORTFOLIO ACTIVITY

Early this month, we liquidated our position in Cineplex as closing of its takeover by Cineworld Group neared; resulting capital was deployed within portfolios.

FEATURE STOCK
Brookfield Infras. Ptnrs. (BIP-UN)

Brookfield Infrastructure Partners is a Bermuda-based limited partnership that owns and operates long-life assets around the world which generate stable cash flows due to their high barriers to entry and relatively low maintenance capital requirements. The company's segments consist of Utilities, Transport, Energy, and Data Infrastructure. We added the stock to DM Canadian Equity in April 2018 and since that time, the company has been busy, initiating and completing several acquisitions and raising a $20bn global infrastructure fund to facilitate further investment. Amongst other areas, activity was directed toward a telecom tower company in India, a North American gas pipeline, a New Zealand data distribution business, and the "Gen-esee & Wyoming" railway. In December, BIP also announced an agreement to buy Cincinnati Bell for $2.6bn. The company's ability to evaluate deals and quickly make them accretive helped to boost funds from operations by 16% in Q3 of 2019, with additional growth expected in its upcoming year-end earnings report. Since our addition of BIP shares to the DM Canadian Equity Portfolio last spring, they've generated a total return of more than 35%.

MANAGER OF THE DECADE?

DM's equity management process lists four events which will prompt a full position review, with liquidation of the holding in question a possible outcome. One of these triggers is a change in corporate management and, in early 2014, Microsoft presented us with such an inflection point.

Leading up to that time, investors had grown weary of the company's direction, believing that its executive team had fallen a step behind the rapidly evolving tech space, while allowing a dysfunctional corporate culture to manifest in which business silos competed ruthlessly with one another and teams actively avoided collaboration. The market ignored management's prescient entry into the fledgling cloud computing space and instead focused on its continued reliance on the legacy Windows franchise, its stubborn and costly dismissal of smart-phone adoption, and its pursuit of several ill-fated acquisitions. Eventually, shareholder calls for change (including those of an activist which had gained a board seat) became too forceful to dismiss and a CEO search was initiated.

Though we were initially skeptical when an internal candidate was selected to take the helm, a bit of digging lifted our optimism. Satya Nadella had been head of the company's Server & Cloud division, which we bet would make him more predisposed to Microsoft's future than beholden to its past. He had grown the unit rapidly and managed with a style that emphasized learning and openness over corporate arrogance. At that time, the stock traded at a marked valuation discount to the broad market, so maintaining our position to see what Mr. Nadella could accomplish seemed like a low risk proposition. As it turned out, he exceeded all expectations, pushing the company in new directions, making transformational acquisitions, and turning the Microsoft work environment on its head. He also made several bold moves that would have been unthinkable under the previous regime, including embracing the Linux operating system on Microsoft's Azure platform, releasing Office for the iPad, and encouraging application development for both iOS and Android devices (in fact, Nadella actually used an iPhone onstage at a Microsoft event to show off the company's newest apps).

Though visionary founders like Jeff Bezos have built extraordinary enterprises in recent years, it can be argued that over the past decade no one has transformed an existing company as completely and as effectively and Satya Nadella has done with Microsoft. The market seems to agree.

Microsoft vs. S&P 500
Total Returns since Nadella became MSFT CEO