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THE SCHOONER

The Official Newsletter of the Dalhousie Investment Society (DALIS)

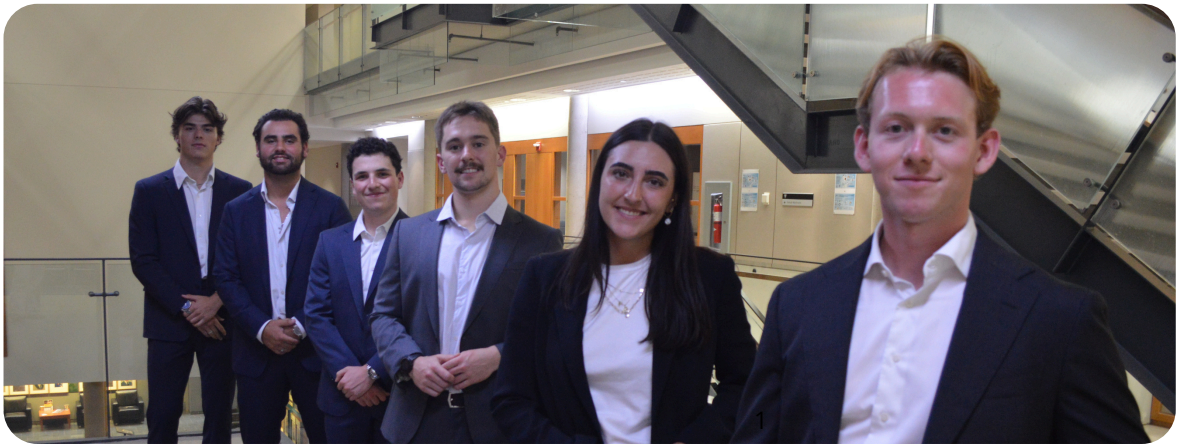
Letter From the Executive Team

You can only do so much to prepare for what it means to be an executive member of a society with over 300 members. Every year, the scope of what we do here at DALIS continues to expand, all while we carry forward the visions of the teams that came before us.

It's been an honour to step into these shoes and, for the first time, see the society as a whole. From this perspective, you gain a new appreciation for the incredible talent that exists within DALIS. Our members keep raising the bar, and as an executive team, we have the privilege of helping turn their ambitions into reality.

With that, we're proud to present the September edition of The Schooner, a reflection of everything our society has accomplished over the past month and a collection of articles written by the students who make DALIS what it is.

Sincerely,
Sam, William, Lucas, Connor, Bailee and Justin



A Glimpse of What's Inside:

Letter from the Executive Team

Alumni Spotlight: Case O'Brien

September Recap

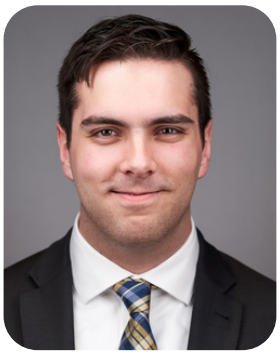
Hiring Accouncements

Featured Articles

DALIS: Summer Edition

Ricks Rant: The Courage to Write

Alumni Spotlight



Case O'Brien

Associate, Diversified Investment Banking

BMO Capital Markets

Case, a former president of DALIS, graduated from Dalhousie University with a Bachelor of Commerce in Finance in 2020 before completing a Master of Financial Economics at the University of Toronto. He is now an investment banking associate at BMO Capital Markets in Toronto.

Can you tell us a bit about yourself and how you got where you are today?

Like many kids, I thought I'd become a pro athlete. When reality struck, and I was coming to the end of high school, I went back and forth on the schools I wanted to apply to and the programs I was interested in. Having access to a few accounting and business classes in school, I landed on targeting a business program, and Dalhousie had the integrated co-ops, which was very attractive as I had no idea what I wanted to do at that point other than "business." The East Coast has some lifestyle perks as well.

Upon joining DALIS, I quickly learned that finance was where my interests were, but it took a few co-op terms, research and speaking to people across the industry to figure out I wanted to land a job in investment banking. I struck out getting my third-year summer role in banking and had the unfortunate privilege of graduating in the spring of 2020, so pursuing my master's degree in financial economics was the best option at the time to get into the industry. I was fortunate through this program to get another shot at recruiting and landed my first role as an analyst at Canaccord, where I was for about 2½ years before transitioning to BMO this spring. Currently, I am an associate on the diversified team at BMO and continue to learn and be challenged in the role daily.

What do you wish you knew in hindsight about pursuing a master's degree?

Make sure you know the outcome you want going in, it is a big investment, and you want to hit the ground running as soon as it starts. Additionally, be prepared for a different level of academic rigor. With most programs being 1-2 years, there is a lot of content packed into a short time frame, so acknowledging that upfront is important for success in the degree (really in any degree you pursue).

What does a typical day look like for you, and how has that changed since you started?

A standard day is always fluid in this industry, but on average they will look like this:

- Time is spent split across a few different files/projects every day, whether that is a pitch for a deal/new client, live transaction work (M&A, ECM, lending, etc.) or ongoing relationship management work for clients
- There will be work I am doing on these projects, whether that is financial modelling, industry research, building presentations, or a host of other activities
- Each day, some time will be spent on calls with internal teams or clients planning and discussing ongoing projects
- There is also a portion of my day spent reviewing the work of other teams and the analysts on my team. Since I sit in an industry group, we are usually the ones with the relationship with the client, and lot of the work we do is in collaboration with the various product teams at the bank

The biggest change moving from the analyst to the associate role since I started is the previous bullet, a lot more of my day-to-day now is reviewing and editing work from different team members to ensure accuracy and that the outputs come together in a coherent fashion. I also spend more time working directly with more senior members of the team on projects.

AI has already begun to shift the work you do; where do you see it helping most in the future?

AI has had a huge impact on the industry and is constantly being pushed to improve accuracy and efficiency in the work we do. It is still early and everyone is trying to find the best ways to utilize it, but as the models improve, the idea generation and error-checking capabilities are super helpful at speeding up time between senior team members ideas and usable client outputs.

If you could give a student looking to get into investment banking one piece of advice, what would it be?

Really do your research before committing to grinding through the recruitment process for a role. No matter what you tell yourself, if you do not like the core aspects of the job, the demands of the role will not outweigh the benefits. Once you have decided that it is the career for you, start prepping early. Every year, recruitment timelines move earlier and the competition for the roles increases. There is a wealth of available prep materials so make sure to utilize them to the fullest.

What's one opinion you have that most people disagree with?

Ham > turkey at Thanksgiving.

September Recap



First General Meeting of Fall 26'

We hosted our first general meeting of the 2026-27 academic year, with more than 130 people in attendance!



CIBC Run For the Cure

Members of DALIS participated in the CIBC Run for the Cure in Halifax. The team set a new fundraising record this year!

DALIS (Internal) Elevator Pitch Case Competition

DALIS held an "Elevator Pitch" competition where members were given 30 seconds to pitch a stock. Congratulations to Max Chapnik, Cael Shanahan and Brayden Rogoski on their first-place finish!



2026-2027 DALIS Team



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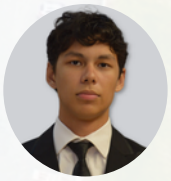


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Is "Beating the Benchmark" the Right Goal?

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Ask 10 investors what the "perfect portfolio" looks like, and you'll get 10 different answers. In my opinion, a perfect portfolio probably doesn't exist. But the question is still worth asking.

Most of modern portfolio management has drifted away from what investors actually care about. Investors care about terminal wealth. They care about how their money compounds over time. And they care about the drawdowns, how much pain they have to sit through and for how long, to get there. Instead, the industry has spent the last few decades obsessing over relative performance. Are we beating the S&P 500? Are we beating a 60/40 portfolio? That question quietly ignores the thing that actually matters: the absolute returns.

The problem with relative returns

Relative returns let the benchmark off the hook. If your portfolio drops 30 per cent while the index drops 35 per cent, you "won." But you're still down 30 per cent. Myron Scholes, one of the founders of the Black-Scholes model, has a quote that captures this well: "It's like standing on the deck of the Titanic. Everyone up top is enjoying the music, feeling fine relative to the people on the lower decks. But the ship is still sinking." Benchmarking yourself against something that's also going down doesn't protect you from going down with it.

Average returns have the same blind spot. A manager can point to a strong long-run average and technically be telling the truth, while completely missing what an investor actually experiences. It's the old joke about the man who drowned crossing a river that was "on average," only six inches deep. Nobody crossing that river cares about the average depth. They care about how deep it is right where they're standing, right now. Investing works the same way. What matters isn't the return over some abstract 10-year or 25-year window. It's what happens to your capital in each period along the way, because that's the environment you actually have to survive.

Why sequence matters more than average

Compounding punishes careless thinking. Say you start with $100. If it falls 50 per cent and then triples, you end up at $150. Run the same two moves in the opposite order, triple first, then fall 50 per cent, and you land at the same place: $150. Math ends up the same here, but in real portfolios you don't get to choose the order in which things happen. A large enough drawdown early on can wipe out an investor before any recovery has a chance to show up. Returns multiply. They don't average. A portfolio that assumes a smooth 10-year path is quietly assuming away the exact risk that determines whether you actually get to stay invested for 10 years.

Nobody actually experiences the average

Most portfolio theory leans on assumptions that don't hold up once you look closely: normal distributions, constant volatility, a stable mean return. These assumptions can be useful for modelling, but they rarely hold consistently in real markets. The S&P 500's volatility today is not its volatility from five years ago, and it won't be its volatility five years from now.

Now, I go back to the river story. If you cross the same shallow stretch 50 times, you'll be fine every time. Try that same confidence on a 20-foot-deep end, even once, and you'll probably drown. You only get one life to live, and one sequence of returns to live through. That's why the tails matter so much more than the average. A handful of extreme periods, good or bad, can define your entire lifetime outcome, far more than whatever the "typical" year looks like.

Even the index isn't as stable as it seems

Something as simple as an index fund isn't as stable as it looks either. Its composition is constantly shifting. Technology dominates for a while, then utilities, then something else. That means the risk profile of "the market" is a dynamic variable, not a fixed input you can plug into a model. As that composition changes, so does the correlation structure between the assets inside it. Some periods carry more stock-specific risk, others less. That means the diversification you think you have isn't guaranteed to hold once correlations shift underneath your feet. The textbook idea of constant correlation is a useful simplification for a single period, but it breaks down the moment you think across multiple periods, which is the only way any of us actually invest.

A better question to ask?

None of this means to say portfolio construction is hopeless, or that benchmarks are useless as a diagnostic tool. It means the starting question is the wrong one. Instead of asking "how do I beat the benchmark?" the more useful question is "how do I compound capital while surviving the drawdowns along the way?" Reframing the question doesn't hand you a formula. But it points you toward the right problem, which in investing is usually most of the battle.

Enron 25 Years Later: Its Enablers, Accomplices, and Gatekeepers

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This coming December will mark 25 years since Enron filed for Chapter 11 bankruptcy in the United States. At the time, it was the largest corporate failure in history; just over one year prior, the

integrated American energy company had a market cap of over US$70 billion. Formed through the 1985 merger of Houston Natural Gas and InterNorth, Enron Corporation began as a crude oil and natural gas pipeline business. Over its 16-year existence, the company expanded into a commodity trading giant through its innovative market platform known as Enron Online and entered energy retail, water infrastructure and even broadband telecommunications markets.

If Enron ever comes up in lecture halls today, an ethical dissection takes place with a primary focus on the failures that occurred within the company itself. These internal missteps were catastrophic. However, an equally important and less-covered takeaway from Enron's demise worth revisiting after nearly 25 years concerns the external parties of the financial ecosystem in which the company operated. Namely, without the willing co-operation and assistance of key outsiders, including the four groups outlined below, Enron's crimes wouldn't have been possible. Misaligned incentives, conflicts of interest and inadequate skepticism collectively allowed a fraudulent superpower to survive far longer than it should've.

The accountants

As facilitators of the company's financial crimes, outside accountants and auditors are the most sensible place to start when looking back at the Enron case. Today's "Big Four" accounting firms, as they're commonly referred to, previously had a fifth member. Arthur Andersen LLP served as Enron's longtime auditor, and the firm's relationship with the company was marked not only by blatant breaches of auditor independence, but also by the approval of the misleading "mark-to-market" accounting treatment that Enron abused to book theoretical future profits on long-term contracts as current reported earnings. Most importantly, the firm ignored the illegal conflicts of interest that existed within the special-purpose entities created by Enron executives to hide troubled assets and billions in debt. As Enron began falling apart, Andersen reportedly shredded countless documents, which only ceased upon receipt of a subpoena from the SEC. In the end, the firm was convicted of obstruction of justice in 2002 and subsequently collapsed, although the conviction was overturned by the U.S. Supreme Court in 2005. At the peak of the relationship, Arthur Andersen earned a total of approximately US$52 million per year from both auditing and consulting fees from Enron.

The bankers

The banks were in on Enron too, in multiple ways. The company was a capital-hungry machine, by nature fuelled heavily by debt, and concurrently one of the world's largest payers of investment banking fees (approximately US$238 million in 1999 alone). Clamouring to get a piece of the pie, global financial institutions were happy to help Enron dress up its balance sheet, exploiting aggressive loopholes in the process. Most famously, this involved Merrill Lynch. In a crunch to meet earnings expectations, Enron needed three Nigerian power barges off the books, and a buyer couldn't be found. In a "handshake" agreement, Merrill Lynch bought the barges with an illegal personal guarantee from Enron's CFO that they would be bought back, with a guaranteed return, in six months. Without transactions like this, Enron would've missed Wall Street's earnings estimates for the first time during its historic late-1990s growth streak, shattering its image as an unstoppable market juggernaut. The biggest names, including J.P. Morgan Chase and Citigroup, worked with Enron to design structured finance contracts that allowed the company to report at least US$8.7 billion of commodity "pre-pays," which were effectively loans, as operating cash flow. The two banks even established their own special-purpose entities to give these loans the appearance of legitimate trade transactions.

The stock analysts

Nearly all of the 15 to 17 sell-side equity research analysts covering Enron, who had been flying high through the bull market of the '90s, pounded the table with "buy" ratings even as late as the fall of 2001 while the stock plunged toward bankruptcy. Despite the red flags that appeared in Enron's public filings throughout the company's final years, these analysts would later claim to have been deceived. Take Donaldson, Lufkin & Jenrette's Curt Launer, *Institutional Investor* magazine's top-rated natural gas analyst for 1998 and 1999. He blamed the accountants while testifying before the U.S. Senate Governmental Affairs Committee, though he noted in his reports that Enron was simply a "trust-me" story, and is said to have never understood the company's trading business despite years of Enron executives' explanations. It was rare for an analyst not to play ball, and when Merrill Lynch's John Olson put a "hold" on the stock, he materialized a sour view of the company that he maintained for years. After Enron threatened to leave Merrill Lynch out of a lucrative equity offering due to his skeptical reports, Olson was forced out of the firm in 1998, surfacing the ugly underlying truth of Wall Street's conflicts of interest. The investment bankers on the other side of the obviously crumbling information barrier were making the banks too much money on Enron for their research departments to publish objective and accurate reports.

The credit rating agencies

For two key reasons, Enron's credit rating was even more important than the calls made by stock analysts. The first concerns Enron's reliance on debt financing, and the second concerns the impossibility of being an energy trading giant without an investment-grade credit rating (BBB- or higher). Enron executives are noted as saying that Enron's business model did not exist below investment grade. Unlike stock analysts, ratings analysts are without such substantial conflicts of interest, so why did they too claim to have been deceived? S&P analysts stated that they were unaware of Enron's special-purpose entities and, bizarrely, claimed that they didn't read the 1999 proxy statement in which the entities were disclosed. There were no illusions regarding the ratings analysts' knowledge of Enron's substantial off-balance-sheet debt, because they were the ones that rated it. In the end, Enron's BBB+ rating was maintained due to the

agencies' consideration of capital access in their judgments, which Enron had boatloads of because of its relationship with the banks. On this basis, ratings agencies never added up the other pieces of Enron's intricate financing structure, and in doing so, they gave the market a false sense of security, buying into the Enron hype rather than serving as its ultimate skeptic.

Takeaway

Despite the many new accounting, corporate governance and financial reporting regulations that sprang from Enron's demise, parallel problems within the broader financial system wouldn't culminate until the global financial crisis a few years after the collapse, which begs the question: what lessons were really learned?

The Enron story has generally been reduced to the odd reference in an ethics class or perhaps the subject of a corporate governance case study in the minds of business students today. As the 25th anniversary of its bankruptcy approaches, and an entirely new bull market is in full swing, it's important to remember that in the wake of Enron's demise, nobody in top seats across the financial world demanded any kind of responsibility. Enron was never alone in its fraud.

Quantum Cryptography – The Science of Data Security

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In a world of advancing technology and threats, how can we rest easy knowing our data is secure?

Cryptography has been around for thousands of years, from simple letter-substitution ciphers used in ancient Rome to the encryption that protects online banking today.

Cryptography is the science of securing communications, information and data. In a world where digital systems have become a battleground for threats, breaches and attacks, finding ways to continually counter malicious forces is vital to growing and maintaining efficient economies as we push the technological frontier forward.

One potentially viable solution to these threats, which continue to gain computational strength, is quantum cryptography. Most of today's encryption relies on math problems that are extremely hard for ordinary computers to solve, such as factoring very large numbers.

Conventional cryptographic algorithms rely on the difficulty of reversing this mathematical process. The algorithm selects two large prime numbers (only divisible by 1 and themselves) and multiplies them to obtain an even larger number. The hard part is for a computer to reverse the multiplication and find the original two prime numbers needed to break the encryption.

A sufficiently powerful quantum computer running Shor's algorithm could solve certain factoring problems dramatically faster than conventional computers, potentially undermining widely used encryption systems. This puts all data secured in this traditional way, from governments to bank accounts, at risk.

Quantum cryptography, as you could probably guess, relies instead on the laws of quantum physics. Its best-known application, quantum key distribution (QKD), does not actually encrypt the message itself. Instead, it lets two parties securely share a hidden key, which is then used to encrypt and decrypt their data. Its standout advantage over conventional methods is that any attempt by an eavesdropper to intercept the key leaves detectable traces.

It's important to distinguish quantum cryptography from post-quantum cryptography. While quantum cryptography uses quantum phenomena, such as photon polarization, to securely distribute encryption keys, post-quantum cryptography relies on mathematical algorithms designed to withstand attacks from quantum computers without requiring specialized quantum hardware.

To preface, I will be giving "The Business Digest" version of these concepts from the perspective of an accounting major. Bear with me!

One of the key quantum mechanisms that help safeguard data is known as superposition. Superposition is often introduced through the famous double-slit experiment. When particles such as photons (particles of light), electrons or even buckyballs (relatively enormous compared to photons and electrons; composed of a 60-carbon molecule) are fired one at a time at a barrier with two slits, they gradually build up an interference pattern on the screen behind it, which is something only waves should be able to do. This demonstration shows that tiny particles can behave as both particles and waves, and that until they are detected, each particle acts as though it travels through both slits at once, existing in a superposition of both paths.

Now let's try to apply this basic knowledge of superposition to data encryption! Let's imagine that we have a polarizing filter, similar to the lenses in polarized sunglasses. The filter has an "etched" series of parallel lines: if the lines are vertical, a photon whose electric field vibrates vertically will pass through, while a photon whose electric field vibrates horizontally will be blocked. A photon polarized at an angle in between (let's say, diagonally at 45 degrees) is in a superposition of vertical and horizontal polarization. When it strikes the vertical filter, that superposition collapses: the photon either passes through (and is now vertically

polarized) or is blocked, each with a 50 per cent chance.

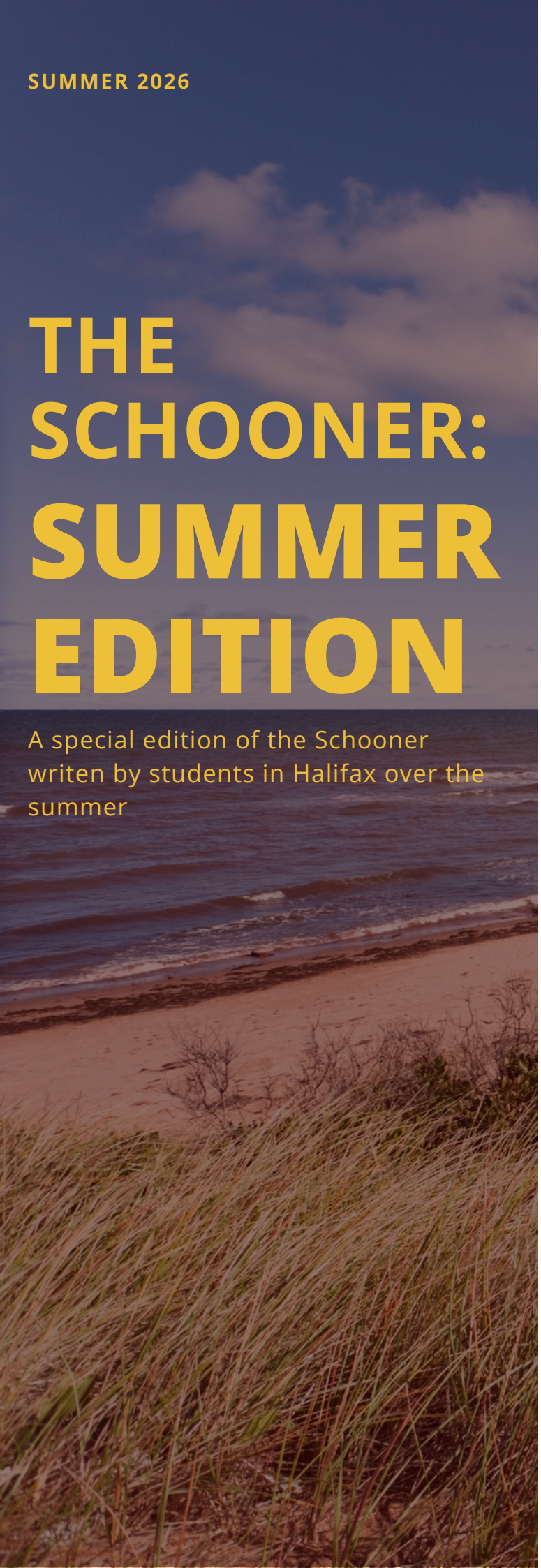
So, under these premises, researchers can use this phenomenon to encode information. A horizontally polarized photon can represent a 0 and a vertically polarized photon can represent a 1. Together, these two polarization states form the basis of a quantum bit (qubit), which, unlike a classical bit, can also exist in a superposition of 0 and 1. However, superposition states are fragile: measuring a qubit destroys its superposition and forces it to become either a 0 or a 1. On top of this, a principle known as the no-cloning theorem proves that it is impossible to make a perfect copy of an unknown quantum state. Together, these mean an eavesdropper cannot easily copy the photons in transit and quietly measure the copies.

Many businesses rely on public-key cryptographic systems such as RSA and elliptic-curve cryptography to secure websites, online banking and digital signatures. Although these systems rely on different mathematical problems, sufficiently powerful quantum computers could threaten both. A quantum computer using the correct algorithms could break these systems. Although this computational power is not yet widespread, it could enable a "harvest now, decrypt later" risk, where attackers steal encrypted data to store and decrypt later with the right tools.

Although quantum key distribution has been demonstrated and deployed in specialized settings, its broader commercial adoption remains limited by infrastructure requirements, cost and technical challenges.

It requires precise infrastructure and stringent measurement environments; however, it is a useful way to think about how humanity will protect data when conventional methods may no longer be suitable. The topics explained in this article are just one of many uses of quantum mechanics in cryptography; quantum entanglement and quantum randomness are two other prominent and fascinating areas of research.

Data is king in our world, and protecting it will become a rapid, necessary infrastructure demand as we continue to push the technological frontier.



From the students of Comm Summer '26...

Dear Readers,

As you may have noticed, this edition of The Schooner looks a little different than usual. Each year, we typically publish a summer edition highlighting the work of our second-year commerce students. However, "Comm Summer" is known to be one of the most iconic semesters for commerce students at Dalhousie, and between trips to the St. Mary's docks and Split Crow, this year's students had their hands full. So, rather than publishing a separate summer edition, we're excited to showcase their work alongside our September edition of The Schooner.

Over the summer, these students remained committed to learning about finance and developing their skills through DALIS. Each article explores a topic that sparked its writer's interest, offering an opportunity to strengthen their research and writing skills while contributing to the broader DALIS community.

Throughout the semester, we kept the momentum going with weekly meetings and hands-on sessions in the Bloomberg lab, all while preparing for the return of the full Investment Society this fall.

A heartfelt thank you goes out to everyone who wrote, attended meetings, contributed and helped keep the DALIS boat afloat. This opportunity wouldn't have been possible without you. And a special thank you to Rick for his continued support and encouragement throughout the semester.

We hope you enjoy this special addition to our September edition!

Editor's note: The articles featured in this section were written during the summer of 2026 and reflect the information available at the time of writing. Some details, particularly those concerning financial markets and current events, may have changed since their original submission.

A Special Thank You To:

Lance Breckon, Markus Cordy-Simpson, Tessa Clark, Vera Leffers, James Riopelle, & Max Quain.

Going Private: Inside Canada's REIT Take-Private Boom

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Since 2022, Canadian REIT share prices have been battered by higher borrowing costs, falling property valuations and growing investor scrutiny. Over the past year, Canadian REITs have traded at roughly a 15 per cent discount to net asset value (NAV). Put simply, investors have been paying about 85 cents for every dollar of underlying real estate.

Private buyers have noticed. Real estate M&A accounted for 20 per cent of total Canadian M&A volume by industry in 2026, up from eight per cent in 2025. The widening gap between public-market valuations and the value of the properties REITs own has helped fuel a wave of take-private deals.

How did REITs get so cheap?

Higher borrowing costs since 2022 have pushed capitalization rates higher and property valuations lower. Simultaneously, public investors have punished REITs reporting declining funds from operations (FFO).

Rapid immigration helped drive rental demand and real estate valuations for much of the past decade. But federal immigration targets have since been reduced, while Canada experienced population declines and negative net international migration through 2025 and early 2026. That reversal weakened one of the forces that had supported Canadian rental demand.

The timing has been particularly painful. During the real estate boom, rental vacancy rates fell to a 20-year low and shortages were pronounced in multifamily housing. Developers responded with a wave of new construction, launching projects based on expectations of continued population growth and favourable financing conditions. By the time much of that supply reached the market, those assumptions had changed. Population growth slowed, borrowing remained expensive and additional rental supply put downward pressure on rents in some markets. Projects conceived under very different conditions suddenly faced much tougher economics.

The result is a disconnect: public markets have marked down REITs substantially. Private investors, on the other hand, appear more willing to bet that their underlying properties are worth more than their stock prices suggest.

Buying the discount

Private buyers appear willing to acquire assets despite weak current conditions, suggesting they see value beyond the prices assigned by public markets.

The wave began last May, when Ottawa-based InterRent REIT was taken private by a Singaporean sovereign wealth fund in a $4-billion transaction representing a 35 per cent premium.

The acquisitions continued in January, when Ottawa-based Minto REIT was taken private by Crestpoint, part of Connor, Clark & Lunn Financial Group, in a $2.3-billion deal. Investors received a 32 per cent premium to the previous closing price, although the offer remained roughly 10 per cent below the REIT's 2021 peak. Minto Group retained a 49.9 per cent stake, with Crestpoint taking the remaining 50.1 per cent. For public shareholders, the transaction offered an immediate premium. For Minto and Crestpoint, it created an opportunity to pursue a longer-term strategy away from the quarterly pressures of public markets.

The trend continued in April, when Choice Properties REIT and private equity firm KingSett Capital took First Capital REIT private in a $9.4-billion transaction at a 17 per cent premium to its 20-day volume-weighted average price. Choice Properties, the Weston family's real estate arm, acquired roughly $5 billion in grocery- and necessity-based neighbourhood retail properties, complementing its existing portfolio. KingSett acquired the remaining $4.4 billion in assets.

Then came H&R REIT. In August, one of Canada's most diversified REITs became the subject of the largest and most complicated transaction of the group. H&R sold its U.S. residential portfolio to GO Residential REIT, with H&R shareholders owning roughly 67 per cent of the combined company. Blackstone, Crestpoint and PSP Investments divided the Canadian assets, while a company controlled by H&R's founding Hofstedter family took the remaining office and non-core properties. The transaction valued H&R at $6.7 billion, representing a 14.5 per cent premium.

What happens next?

For shareholders, these transactions have offered an immediate exit at premiums to recent trading prices. For buyers, the math is different: paying a premium to a depressed share price can still mean acquiring real estate for less than its estimated underlying value.

The pool of publicly traded Canadian REITs is shrinking. If the gap between share prices and underlying asset values persists, private buyers may continue looking for opportunities. The question is no longer just why Canadian REITs are disappearing from public markets. It's which one could be next.

Ashenbrenner Leaves Ashes

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Leopold Aschenbrenner's credentials are hard to dismiss. Columbia valedictorian at 19, ex-OpenAI, author of the 165-page essay "Situational Awareness" that became required reading in Silicon Valley. In 2024, he turned that reputation into a hedge fund of the same name, built almost entirely around one thesis: that AI would demand an unprecedented buildout of chips, memory, data centres and power. For a while, the fund looked great. It returned more than 1,000 per cent and grew to roughly $45 billion by July 2026, backed by investors including Jane Street, the Collison brothers and Nat Friedman.

The unwind, when it came, moved fast enough that Wall Street felt the tremors before the story broke. On the afternoon of July 29, a trader named David Mann got a call in a taxi headed to LaGuardia: someone working on Aschenbrenner's behalf was offering a piece of the fund's Anthropic stake and needed to close the deal overnight. Mann's read was immediate: nobody sells pre-IPO shares in a company valued near $1 trillion unless they're cornered. Situational was shopping part of its $5-billion Anthropic position at a 20 per cent discount with a 12-hour deadline, and even that was constrained. Anthropic held approval rights over any transfer, so the fund could only pitch buyers who already held stakes.

Leverage was high, reportedly as much as $3 to $4 borrowed for every $1 of capital. That amplification and July's AI infrastructure selloff hit the fund's concentrated bets in names like SK Hynix, CoreWeave, Sandisk, Nebius and Bloom Energy hard, with some falling more than 50 per cent. The fund lost roughly 67 per cent of its value that month, erasing about $30 billion even after having been up around 80 per cent for the year before the reversal. Aschenbrenner has said aggressive short selling in the fund's positions made things worse, which could have ties to quantitative trading algorithms that use momentum as a trigger.

With margin calls mounting from prime brokers Goldman Sachs, JPMorgan, Bank of America and Citigroup, the fund faced a choice: raise fresh capital or sell the book. It sold. Ken Griffin's Citadel bought the bulk of Situational Awareness's leveraged public equity portfolio at a discount, picking up the piece financed by broker leverage. Griffin later said Citadel had already unwound more than 80 per cent of that acquired risk through more than $4 billion in block trades, and that the move helped power Citadel's flagship fund to its best month since 2022.

Even in the wreckage, Aschenbrenner moved fast. Rather than retreating, he used the proceeds from the Citadel sale to repay lenders and, notably, protect the fund's private holdings instead of liquidating them.

He held onto stakes in Anthropic, valued at roughly $965 billion in its most recent round, compute infrastructure firm Fluidstack and AI chip startup MatX, judging the private AI landscape still intact even as the public one buckled.

He then doubled down. Just days after the fund nearly collapsed, Situational Awareness closed a $400-million investment in Source Foundry, a Stanford-founded startup working on faster, cheaper chip manufacturing, on top of a $100-million stake taken the previous month, bringing the combined bet to $500 million.

The fund's assets, roughly $10 billion after the Citadel deal, are still a fraction of the $45-billion peak, about 22 per cent of where it stood a month earlier. Aschenbrenner had separately been soliciting fresh capital from existing investors even before the crisis peaked, following a reported 439 per cent first-half return.

Paramount: Does the Deal Go Through?

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If you were paying attention to financial news this summer, you probably caught a headline about Paramount buying Warner Bros. Discovery. It was mostly smooth sailing until it got put on pause, and here is why.

Paramount Skydance is trying to buy Warner Bros. Discovery for around $110 billion. If it goes through, one company would own Paramount's film studio and Paramount+, plus Warner Bros.' studio, HBO Max and CNN. Two movie studios, two streaming platforms and two news organizations, all under one roof. This isn't just another company buying another company. This is turning into one of the messiest deals there have been in a while, and it's a great window into how M&A really works once lawyers, regulators and politicians all show up to the same table.

Looking at the scale is what makes regulators nervous. State attorneys general estimate the combined company would control 27 per cent of the wide-release theatrical market, nearly a third of basic cable programming and more than a third of blockbuster film releases. That's not just "a big company." That's the kind of market share that starts raising real monopoly questions.

On the international side, the deal has been working quite well. Regulators in 65 different countries have either approved it or chosen not to challenge it, which is impressive when you think about how many separate governments had to sign off. The European Union gave its blessing on July 22, calling it a major milestone toward closing on schedule.

But the EU didn't just wave it through. They made Paramount give something up first. Regulators almost never issue a flat "no" to a

merger this size. Instead, they say "yes, but only if you fix the part that worries us."

In this case, Paramount had a joint film distribution partnership with Universal in Europe. Regulators worried that once Warner's massive film catalouge got folded into that partnership, cinemas across Europe would be stuck dealing with one dominant distributor, which usually means worse terms and less competition for everyone downstream. So Paramount agreed to walk away from that partnership entirely, with no joint distribution with Universal for the next 10 years. That decision is what got them the green light in Europe.

While Europe was saying yes, a coalition of 12 U.S. state attorneys general, led by California's Rob Bonta, was in court trying to shut the whole thing down. Their argument lines up with those same market share numbers: combine two of the top three cable programmers and two of the top five film distributors, and you get fewer competitors and higher prices. That's exactly what antitrust law exists to prevent.

A federal judge in Oakland agreed there was enough concern to intervene and issued a temporary restraining order on July 20 that froze the deal. That order has since been extended, pushing any possible closing past mid-August while both sides argue over how a full hearing on a longer-term injunction should even be scheduled.

And then there's the part of this story that has nothing to do with antitrust law at all.

A Paramount Skydance shareholder filed a lawsuit alleging that the Ellison family, who control Paramount Skydance, had some kind of side arrangement with President Donald Trump, allegedly involving funnelling cash to help resolve his legal claims, in exchange for promises to remove CNN anchors he didn't like once the deal closed. And it's not exactly helping their case.

Stepping back far enough, this fits into a much bigger pattern. Traditional media companies are racing to get bigger because streaming and tech platforms have rewritten the competitive landscape, and scaling up feels like the only way to survive. But the bigger these deals get, the more governments start questioning whether "competitive" is quietly turning into "too big to challenge."

Paramount is racing against a Sept. 30 deadline, after which it starts owing Warner Bros. shareholders a steep penalty for every day the deal stays unclosed. So there is real financial pressure to get this resolved fast, but the legal process isn't moving on Paramount's timeline.

Between the ongoing court fight, the U.K. still being on the fence and a shareholder lawsuit dragging politics into the mix, this is far from a done deal. It's one worth actually following all the way through.

Red Card: FIFA's Members Weren't Buying Its $20-Billion Pitch

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FIFA came out of the 2026 World Cup with more money than ever. Revenue from the tournament was projected to surpass $10.9 billion, up 56 per cent from Qatar in 2022, while a record $871 million in prize money was distributed among the 48 competing nations.

Then, in late July, FIFA tried to sell a piece of the business.

The proposal would have moved FIFA's commercial events, including the World Cup, into a new entity and sold roughly 20 per cent of it to outside investors. FIFA hoped to raise as much as $4.2 billion, implying a valuation of around $20 billion for the new business. Thrive Capital, the venture capital firm founded by Joshua Kushner, brother of Donald Trump's son-in-law Jared Kushner, was expected to lead the investment.

That $20-billion valuation was difficult to assess. FIFA isn't a publicly traded company, and its finances don't resemble those of one. Its revenue is heavily concentrated around the World Cup's four-year cycle, leaving few obvious comparisons against which to judge the proposed valuation.

But the price ultimately wasn't what killed the deal.

The larger problem was governance. FIFA is made up of 211 national member associations, yet some of the organizations and officials responsible for governing international football said they had been left out of discussions about selling a stake in one of its most valuable commercial assets.

The backlash came quickly. UEFA, European football's governing body, threatened to boycott FIFA competitions if the deal proceeded and criticized the process behind the proposal. The Asian Football Confederation also called for a governance review, while FIFA's own chief operating officer said staff had largely been kept out of discussions.

Within days, FIFA president Gianni Infantino abandoned the plan, saying the divisions it had created outweighed its potential benefits.

That makes the failed sale more interesting as a governance story than a valuation story. FIFA never got far enough to find out whether investors would accept a $20-billion valuation. Instead, the proposal exposed the difficulty of bringing private capital into an organization whose most valuable commercial properties ultimately sit within a structure accountable to hundreds of

national football associations.

Thrive's involvement added another layer of scrutiny. Joshua Kushner's connection to the Trump family came at a time when Trump had maintained a prominent public presence around the World Cup. That relationship does not itself establish a conflict of interest, but it gave critics another reason to scrutinize how the deal was assembled and who stood to participate in it.

The consequences have extended beyond the abandoned sale. Infantino's senior adviser resigned over the proposal, and Infantino now faces a challenger ahead of FIFA's March presidential election, adding to the political fallout from a deal that never made it past the planning stage.

Editor's note: This article was written before Paramount Skydance completed its acquisition of Warner Bros. Discovery. A federal judge approved a settlement allowing the merger to proceed on Sept. 30, 2026. The article reflects developments at the time of writing.

Russia's Economy at War: Resilience, Strain, and the Road Ahead

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In August alone, Ukraine launched a record 21 drone strikes against Russian oil refineries across the country, pushing Russia's oil refining capacity down 30 to 40 per cent to an estimated 3.6 million barrels per day. For Russians, this constraint comes as they begin to feel the real economic costs of war in their household finances; civilian industries remain stuck in recession, and businesses continue to face falling profits as inflation-adjusted wages and disposable incomes have sharply declined after three consecutive years of growth. To understand how Russia reached this point, we need to look at the expansion and contraction of its wartime economy and the current macro backdrop and themes playing out in Russia.

The Wartime economy

Through 2023 and 2024, Russia's GDP grew 4.1 per cent in both years, fuelled primarily by massive government spending on state fiscal stimulus, wartime military spending and a related surge in domestic demand. Growth in manufacturing output was mainly driven by government demand for ammunition and military equipment, often paid in advance.

The defence sectors also benefited from an increase in loans, subsidies for research and development, and extra-budgetary funds. This increased demand pushed defence spending up by 23 per cent in 2023 and 38 per cent in 2024, reaching an estimated total of $149 billion, roughly 7.1 per cent of 2024 GDP.

In 2025, the Russian economy grew at a measly one per cent, far less than the previous two years of industrial-led growth. The huge demand created by military spending pushed inflation up through the end of 2024, causing Russia's central bank to raise interest rates to 21 per cent at the start of 2025, increasing the cost of mortgages, corporate loans, consumer credit and investment.

Along with the battle against inflation, Russia's unemployment rate reached a low of 2.1 per cent in 2025, which looks good on paper but is a major problem for employers.

This creates an economic problem because companies looking to hire additional labour must now compete for workers by raising wages, which in turn fuels inflation and works against Russia's monetary policy. Now, in 2026, inflation has cooled off, but a new problem has arisen for the Kremlin, and that is the massive blow to refining capacity that Ukrainian drone strikes have dealt in the past year. The oil and gas sector accounts for roughly 30 per cent of Russia's federal budget revenue, and with close to 40 per cent of refining capacity offline, Russia's economic situation has reached an inflection point where key choices must be made to keep Russia from falling further into a full-fledged recession.

Fuel crisis

Since August of last year, Russian refining losses are estimated to have reached $13.5 billion from Ukrainian drone strikes that have reportedly taken down 40 per cent of Russian refining capabilities, with production still 20 per cent below domestic demand. The drastic reduction in capacity has resulted in a severe domestic fuel shortage, a sharp decrease in fuel production and continuous delays in facility repairs due to a lack of available parts to repair these refineries. Local media across Russia have reported on localized fuel crises in 50 regions, indicating that gas stations have had to implement tiered access, prioritizing government officials, military personnel, state members and emergency services over the general population. Along with these tiered systems, filling external containers with gasoline has been prohibited across many of these regions.

As refining capacities remain suppressed, Russia has begun relying on importing gasoline from allies: 60,000 metric tonnes from India, 50,000 from Kazakhstan and 150,000 from Belarus. In response to these imports, the EU has begun discussing new sanctions on countries exporting gasoline to Russia, which could be part of the EU's 22nd sanctions package. The combination of suppressed capacity and the threat of sanctions on gasoline imports may continue to pressure fuel prices and edge inflation higher.

Civilian recession

The wartime economy has lost most of its momentum as real disposable incomes have edged 0.23 per cent lower year over year, and real wages have dropped 0.15 per cent.

This pressure on household incomes can be attributed to the cooling economy and falling business profits that are becoming increasingly evident in 2026. According to data from Sberbank, 12,000 to 15,000 organizations have ceased operations each month for the past year for economic reasons, and profits are shrinking for the remaining organizations in business.

Companies are finding it increasingly difficult to maintain rapid wage growth, and a survey by the Russian Union of Industrialists and Entrepreneurs found that 40 per cent plan to reduce personnel costs through staff layoffs and wage cuts. It's estimated that 21 of the 28 largest companies in Russia have seen their economic situation worsen over the past year. One example is X5, one of Russia's largest retail holding companies and owner of food retailers Pyaterochka, Perekrestok and Chizhik, which saw revenue grow 19 per cent in 2025 but saw its net profit fall 14 per cent due to rising costs. It's not only large corporations that are facing falling profits but also small and medium-sized businesses. Russia's Ministry of Finance reported that tax revenue from SMEs dropped 22.2 per cent in the first quarter of 2026.

As these major corporations lose profitability, bond defaults have skyrocketed compared to previous years. In the first half of 2025, only 26 defaults across three issuers were recorded, and as of June 2026, over 160 defaults across 18 issuers have been recorded in every sector except banking.

Bad household debt has also rapidly increased among the Russian population, reaching US$30 billion, roughly a 30 per cent increase from a year earlier, and pushing non-performing loans to seven per cent, up from 5.7 per cent last year. An analysis from Izvestia highlights that the rise in bad debt reflects slower income growth and higher expenses due to inflation. This trend is also reflected in a sharp rise in personal bankruptcies. Nearly 560,000 Russians were declared bankrupt in 2025, a 31 per cent increase year over year, which is the highest number since Russia introduced bankruptcy procedures into law.

Battle against stagflation – where does it go?

Russia's original GDP forecast for 2026 was 1.3 per cent but has since been revised to only 0.4 per cent, as the first quarter of 2026 saw the economy contract 0.3 per cent. This comes at a time when Russia sees inflation picking back up after cooling down from 2025 highs, and the Central Bank of Russia is in the middle of a cutting cycle to help stir up economic activity. Dwindling GDP growth paired with rising inflation places Russia in a classic stagflation squeeze.

Russia seems to be prioritizing monetary policy as a tool for managing growth and inflation numbers, and after cutting the policy rate to 14 per cent, it has a lot of pressure mounting on both sides of rate policy.

On the dovish side, high rates have hurt the ability of businesses to invest in CAPEX and R&D, and real GDP growth is projected to be very minimal for 2026, threatening the chance of stagflation. However, on the hawkish side of the fence, inflation is currently sitting at six per cent, still far above the target rate of four per cent. Although it's mainly driven by fuel prices, the threat of accelerated inflation growth from monetary policy is a legitimate worry.

The ruble is also increasingly becoming another point of focus for Russian monetary policy as it weakens toward multi-year lows. A weakening ruble leads to more expensive imports that drive inflation upward and ultimately leave a lot less room for rate cuts moving forward.

The central bank's preferred path – a soft landing

Russia's central bank is quite optimistic about the economic path forward for the next few years, expecting inflation to sit around six to seven per cent in 2026, down to four per cent in 2027, with GDP growth of 2.5 to 3.5 per cent in the same year. Essentially, Russia is hoping for inflation to cool off, allowing room for future rate cuts to fuel investment and consumption, which falls in line with the central bank's policy rate forecast of 10.5 to 12.5 per cent in 2027 and eight to nine per cent for 2028.

For this scenario to play out, Russia will also need to cut back on military spending and redirect production toward civilian investment and productivity.

Russia has shown that it can withstand the economic costs of war, but maintaining that resilience is another question. Its ultimate economic outcome will depend on whether it can transition from a wartime economy toward sustainable growth without sacrificing price stability or fiscal strength.



Rick's Rant

The Courage To Write

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It is reasonable to say that it takes much less courage to write these days. After all, isn't all writing in 2026 generated by AI? Well, most of it is, but this article isn't. I cannot speak for the rest of the authors in this edition of The Schooner, but I suspect that most of the articles in this edition are at best edited by AI. To be honest, I don't know who the editors of this specific rant you are reading are; are they human, or is it a bot? I do know that in the past, The Schooner was edited by a King's student with an interest in financial journalism. I actually looked forward to getting edits back from her. The edits were more interesting and showed a better understanding of the concepts in many cases than what I originally wrote.

Editor's note: Still here, Rick! And very flattered, I might add.

The articles in this Schooner are written by students who have a passion for finance and the markets. In my experience, you should always pay attention to passion, as that passion takes you to many unexpected, yet wonderful places. I always find articles in The Schooner that teach me something new or provide me with a totally new way to consider events in the financial world.

We are surrounded by AI slop these days. When we saw some of the first AI-generated social media posts, we thought (or at least I thought) that they were pretty cool and well laid out. Then it quickly became a flood of AI-generated slop, all of which were aping each other. How many cool graphical summaries of the top 10 most influential papers in financial management do we really need to see? The slop became boring, and we, the readers, became accustomed and perhaps more perversely, we became immune to it. Some AI-generated material is still useful to see, but it is increasingly becoming harder to wade through the slop.

That is why I claim that it still takes courage to write – really write. Writing takes courage for a couple of reasons. First off, writing means that you believe that you have something to say, and there is a significant chance that people will disagree with you, and emphatically and cruelly make their disagreement known to you and the rest of the world. Perhaps even worse, no one will even care what you write, and thus you will be whistling in the wind, while your ego shrivels up and blows away, thinking that no one cares.

Secondly, writing takes courage as you are making a stand that may not stand the test of time. Your ideas may change, or the contexts of the issues that you are writing about may change. If that happens, then your words may come back to haunt you. This is particularly true when it comes to financial writing, as making a stand or making a prediction of the financial markets is fraught with the peril of mistaken assumptions and the changing whims of the animal forces underlying the markets.

In a world where we expect, in fact demand, certitude, making a written statement of your views of the market is virtually guaranteed to make every financial pundit look downright idiotic at some point in time. It is only the rare idiots – like myself – who are unfazed by looking like an idiot.

Writing takes courage, and that is why you should respect and admire the students who are putting forth their ideas in student publications such as The Schooner. Not only are they bringing high value to the table through their ideas, but they are demonstrating their courage.

Student publications like The Schooner are sadly going the way of the dodo bird, as is mainstream media in general. Anything longer than a social media post, most of which will only be noticed if it features a graphic, is something that few have an attention span for. In the classic 1983 movie "The Big Chill," the character playing the *People* magazine journalist lamented that all articles had to be written in the time needed for the "average person to take a crap." Now we need our media to be digestible in the time it takes to swallow a laxative – which is exactly what most social media posts are.

Student publications like The Schooner, however, may just be more important than ever. They are a source of truly original ideas. They are a source of fresh ideas. Are some of the ideas half-baked? Sure. Does anyone not think this specific article is half-baked? The point is that student publications are developed and produced by students who have ideas, have a point of view and have the courage to express those views. They are not doing it for a salary. They are not doing it for clicks (but it would be great if you did give them a shoutout). They are not doing it as an assignment or for credit. They are doing it because they have a passion. A passion for learning, a passion for testing themselves, a passion for expanding their horizons.

It takes courage to publish an article in a collection like The Schooner. The point is that passion trumps being afraid. Passion trumps risk. It is that passion that we need to acknowledge and applaud. I think it is awesome, and it is what makes DALIS and The Schooner so special.

Thank you for reading.

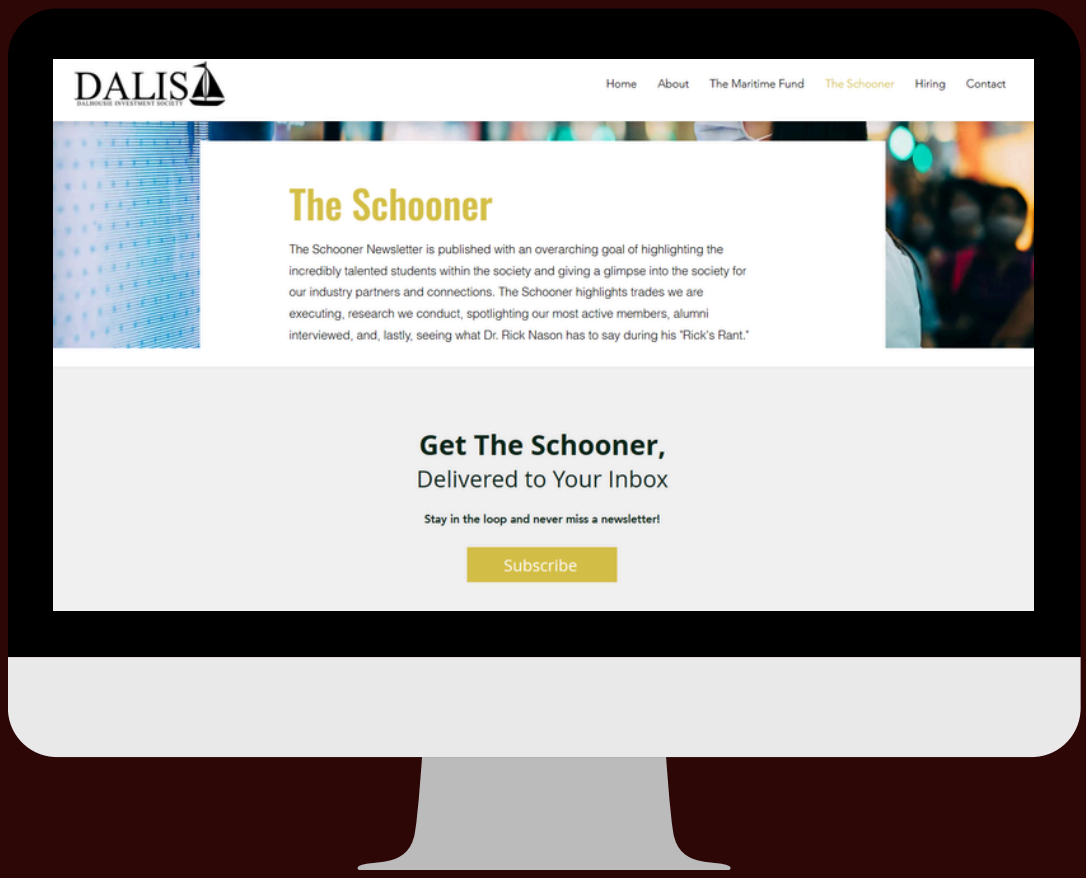
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