



THE SCHOONER

The Official Newsletter of the Dalhousie Investment Society (DALIS)

Trade of the Month

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Portfolio Managers - Long/Short Equities

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General Motors (NYSE:GM) Bull Call Spread

Position Overview

On Oct. 21, the long-short portfolio executed a bull call spread on General Motors Co. (NYSE:GM) ahead of its third-quarter earnings report. The event-driven strategy used derivative contracts to increase leverage while maximizing the risk-return tradeoff.

The position was established by purchasing 300 GM Oct. 24, 2025, C58 contracts at \$1.75 while simultaneously selling 300 GM Oct. 24, 2025, C62 contracts at \$0.43, creating a net debit of \$1.32, or about \$40,000 in total.

After General Motors reported earnings, the street reacted positively as earnings per share and revenue both came in above expectations, leading to a rally of about 15 per cent — the stock's best trading day in five years. The position was exited at a net profit of \$4 per contract, resulting in a 203 per cent return, or roughly \$81,000 in total.

Rationale

Since the first implementation of tariffs in February, the most contested industry in North America has been auto manufacturing. Collaboration among the United States, Canada and Mexico is vital to the success of the Big Three American automakers — General Motors Co., Ford Motor Co. and Stellantis NV — all of which were threatened by the strain on USMCA protections.

In the second quarter, General Motors attributed significant costs to tariff exposure, cutting net income by US\$1.1 billion. Prime examples include GM's top two best-selling models, the Chevrolet Equinox and Blazer, both manufactured in Mexico and heavily affected by tariff risks. The thesis was based on GM reshoring production and its competitive advantage as a domestic automaker.

In the third quarter, GM lowered its forecast for tariff-related costs as reshoring efforts eased margin pressure. In addition, with the expiry of the US\$7,500 federal EV tax credit in late September, GM saw consumers accelerate purchases of its EV models, resulting in 107 per cent year-over-year growth.

While the future of American auto manufacturing remains uncertain, the sharp rise in GM's share price reflects its strong competitive position in navigating a volatile market.

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Alumni Spotlight



B'Comm 2011

Colin Shepard, CFA

**Director, Investment Banking
National Bank**

Could you talk about your role at National Bank and how you got there?

I am a Director, Investment Banking on the Technology, Media, Telecom and Healthcare (TMTH) team. As a Director, I'm involved in both deal sourcing and execution of ongoing mandates. We primarily advise on sell-side or buy-side M&A mandates, growth equity financing (typically Series C+) or public equity financing (IPOs or follow-ons). Prior to National Bank, I worked for 5 years at Canaccord Genuity in investment banking, and prior to that, I worked in investment banking and equity research at two smaller boutiques.

What are a few pieces of advice you would give to current DALIS members?

Take advantage of everything the university has to offer. University provides so many opportunities to get involved, meet new people and have new experiences that aren't replicated once you graduate. I'm sure you hear this a lot, but try to network as much as possible with people in your target career field. You can learn a lot about the career path to see if it's a good fit, and you can also leverage the network for any potential job opportunities.

How do you see the future of the TMTH group with the rise of AI?

We already use a number of AI tools that make our team more efficient. In my view, AI will continue to be just another tool that will allow us to do work more efficiently and do deeper analysis, much like a lot of the tools that we have already been using, such as Capital IQ or FactSet.

What is something that people misunderstand until they work in investment banking?

You spend a lot more time formatting slides in PowerPoint than modelling in Excel.

Are there any specific deals you were on that stood out as memorable or interesting?

Early in my career as an analyst, I worked on selling a business under a Sale and Investment Solicitation Process (SISP), which is when a company is selling its assets/business under insolvency/CCAA. We ultimately sold the business in two pieces to two different buyers, which was then used to repay the lenders of the business. This was an interesting process as it was open to the public and was supervised by a court, which is very different from a standard M&A process. Additionally, given that the process was public, we had to manage a large number of interested buyers who wanted to get involved in the process. Given all the dynamics, it was a very complicated transaction and even many years later, it is still the deal where I learned the most about M&A and managing a successful process.

If you were not working in investment banking, where would you want to work and why?

If money were no object, I would love to open a recording studio. I was a drummer in a number of bands growing up and built a small home studio in my parents' basement, which I don't have time to use anymore.

Having worked at both small and big firms, what are the pros and cons of each?

One large advantage of working at the smaller boutiques as a junior banker is the smaller deal teams. You have great exposure to the client and the full deal process. However, you will also have fewer resources to rely on to help support the process. The advantage of working at a larger bank is the larger platform with a broad array of products that you can both offer your clients and that can help support deals. The downside is that it feels less entrepreneurial, and there are more processes/protocols that need to be followed, which takes extra time.

What is one opinion that you hold that most people disagree with?

Pizza can be eaten for any meal at any temperature.

Student Spotlight



Max Quain

Seaside Capital Analyst

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Can you tell us a bit about yourself?

I am a second-year Bachelor of Commerce Co-op student pursuing a major in Finance. I grew up in Ottawa and heard amazing things about Dal and its co-op program, which ended up being the reason I decided to come to Halifax. I am currently a Junior Analyst for Seaside Capital and will be working for Brookfield Renewables in financial reporting and lender relations this coming winter.

What made you study finance and join DALIS?

I didn't have much knowledge of financial markets going into my first year, but I decided to attend DALIS meetings after recruiters visited some of my classes. During second semester, I became hooked and started going to all the portfolio meetings in the Bloomberg Lab, as well as the general meetings. When the Seaside Lecture Series began, I decided to attend because I had heard about investment banking and wanted to learn more. Cole, Tyler, and Ronan did a great job and steered my interest toward IB, which led me to apply for an analyst position this fall with the new Seaside Capital team. My biggest influence has been the execs, who have treated me incredibly well and helped me whenever I've had questions. I'm extremely grateful for the experiences I've gained through the society.

What is something you are following in the markets and what is your outlook?

I've been following the tech sector closely, especially with the adoption of AI becoming such a major factor in how companies are restructuring. I believe this adoption is essential; without it, companies will start to fall behind. I've also been paying attention to the data centre side of tech—such as Oracle and Azure—which has become more important than ever as companies need places to store massive amounts of new data.

There's now almost as much investment going into these data centres as into AI itself, since greater AI development requires greater storage capacity. I find it to be an incredibly interesting industry that will continue to grow, and I'm excited to keep following it.

What are your goals?

I am hoping to break into private equity or investment banking through my co-ops and turn that into a career. I have a keen interest in the industry, and I am hoping I can leverage my co-ops and the Investment Society to break into the industry over the next year.

What is your biggest piece of advice for other students?

I was very intimidated when I first joined the society, so I would just say joining the society is worth it for the following reasons:

(1) I have learned so much already and would highly recommend it to anyone with any interest at all in capital markets. (2) I have made a ton of friendships through the society that wouldn't have been possible if I weren't a member. (3) The industry is definitely very complex at first, but the execs do a great job of making things simple for people just starting out.

Overall, joining DALIS was easily the best decision I've made while at Dalhousie.

Do you have any interesting side hobbies?

Growing up, I played lots of sports, including competitive boxing and competitive hockey as a goalie. I still box a little bit, but more recreationally now. At school, I enjoy going to the gym and watching different sports like hockey or football. When I'm home, I enjoy playing golf and going to my cottage or friends' cottages.

What sector are you most interested in?

I have been following tech a lot recently, but I'm most interested in industrials. I enjoy looking at most sectors, though, as there's value to be found in any of them. I look forward to learning about other sectors in the future and through Seaside, as I believe it's important to be well-versed in all industries.

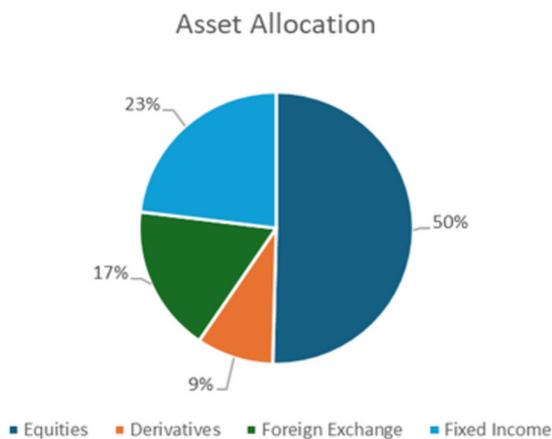
The Maritime Fund

Portfolio Overview

Portfolio	Holdings	Market Value	Change TTD	% TTD	Benchmark
Long/Short Equities	31	\$20,221,438	\$221,438	1.11%	1.07%
Commodities	21	\$20,024,600	\$24,600	0.12%	0.81%
Machine Learning	0	\$20,000,000	\$0	0.00%	1.42%
Global Macro Strategy	5	\$61,257,978	\$1,257,978	2.10%	1.89%
Maritime Fund	83	\$121,504,016	\$1,504,016	1.25%	1.30%

Sector	Market Value	Weight
Technology	\$3,391,718	22.2%
Consumer	\$3,066,117	20.1%
Communications	\$2,458,332	16.1%
Basic Materials	\$1,983,551	13.0%
Industrial	\$2,731,969	12.5%
Financial	\$1,536,978	10.1%
Utilities	\$935,843	6.1%

Top 10 Holdings
1. Gold
2. Can 2s10s Flattener
3. Service Now
4. Pepsi Co Inc.
5. Crude Oil Futures
6. Silver
7. Canadian Pacific Kansas City
8. Netflix Inc
9. Taiwan Semiconductor Manufacturing Co
10. Estee Lauder Inc.



The Maritime Fund

Portfolio Commentary

LONG/SHORT EQUITIES

The long-short equities portfolio has had a busy month building positions amid an ever-changing global macroeconomic environment. Over the past month, the portfolio established a 25–75 cash-to-equity split, holding 24 equities and posting a return of 1.11 per cent compared with its benchmark index's 1.07 per cent.

Equity short: D.R. Horton (DHI)

We maintained a bearish outlook on the largest U.S. homebuilder, with higher-for-longer interest rates continuing to weigh on the housing market. The average age of a first-time homebuyer reached 38 in 2025, up from 31 in 2015. Inventories have risen 33 per cent since 2021, while input costs have increased and home prices have fallen, contracting margins. We exited the position after third-quarter earnings with a 13 per cent gain.

Notable Positions

- ZS (+7.1%)
- PEP (+4.7%)
- GOOGL (+4.5%)
- NEM (-3.6%)
- EL (-2.7%)

Key long: ServiceNow (NOW)

ServiceNow reported strong third-quarter earnings, with shares rising as much as 9.8 per cent intraday before closing up 0.5 per cent. Subscription revenue totalled US\$3.30 billion, above estimates of US\$3.25 billion. Current remaining performance obligations (CRPO) reached US\$11.35 billion, up 21 per cent year over year. The company raised its full-year revenue guidance for the fourth quarter and fiscal 2025 by one per cent. Our long-term outlook remains positive as ServiceNow continues to deliver consistent beats and raises while securing large total contract value (TCV) deals.

Outlook on the Equity Markets:

Markets are undergoing a period of digestion. While third-quarter earnings have been strong, valuations continue to climb and 44 per cent of the S&P 500 being 10 U.S. tech names has had investors take profits and sit on cash, with the shadow of uncertainty in the macro environment sitting in the background. For the months ahead, we will look to take more weight in underappreciated industries with good fundamentals.

MACHINE LEARNING

The DALIS Machine Learning Portfolio continues to evolve into a structured, data-driven initiative blending automation, quantitative analysis and development, and AI research. Over the past month, the team has defined a clear roadmap of active and upcoming projects that align with our goal of integrating systematic and machine learning-based decision-making into the Maritime Fund.

Core development has focused on Knotomated, the automation framework designed to streamline our traditional weekly newsletter. Supporting tools such as the Index Tracking Portfolio and Macro Portfolio Blotter are progressing in parallel, forming the foundation of our analytics stack. These efforts are complemented by exploratory models like the Oil–Airline Screener, Risk Assessment Dashboard and Strangle Vols Ranker, which strengthen our ability to monitor market conditions and identify cross-asset opportunities.

As midterms conclude, the next focus will be execution — turning these frameworks into ready-to-use tools that add measurable insight and value to the Maritime Fund.

The Maritime Fund

Portfolio Commentary

COMMODITIES

In October, the commodities portfolio adopted defensive positioning in response to renewed volatility in global commodity markets. After strong performance in September, the portfolio's substantial gold position rose more than 12 per cent at its peak. However, a pullback in the broader metals sector, driven by profit-taking among retail investors, tempered those gains. Despite this short-term correction, our outlook on gold remains positive.

In the energy sector, the portfolio holds tactical, short-term positions ahead of earnings reports from NexGen Energy Ltd. (NXE) and NuScale Power Corp. (SMR). Both companies stand to benefit from positive sentiment on nuclear energy and potential updates on key projects. Additionally, our position in The Metals Company Inc. (TMC) was successfully timed, capturing a 42 per cent average return during recent market swings.

We are confident in our long-term mining positions: Capstone Copper Corp. (CS) and Firefly Metals Corp. (FFM). Elevated prices in precious metals and low energy costs have favourably impacted their balance sheets. Our team also identified upside in Nucor Corporation (NUE) earnings ahead of a 7 per cent surge. Lastly, we entered a position in Brazilian meat processor JBS S.A. at a significant discount to historical averages, presenting considerable upside potential.

Looking ahead, the commodities team is focused on upcoming earnings reports from North American fossil fuel companies in mid-November. We plan to leverage potential short-term volatility in key names such as Enbridge Inc. (ENB) and ARC Resources Ltd. (ARX) to drive portfolio performance. Over the past month, the Macro portfolio has taken positions based on political instability, fiscal deficits, and monetary policy.

GLOBAL MACRO STRATEGY

Notable Positions

- US\$12,000 DV01 of a U.S. 2s30s steepener at 113 basis points (C\$600,000 profit realized)
- Short EUR 10,000 DV01 of 10-year OATs vs. 10-year Bunds at -84 basis points (trimmed C\$83,000 loss at -79 basis points)
- Long USD/JPY at 152.64 (exited at 154.17)
- Flattening C\$10,000 DV01 of the Canadian 2s10s at 70 basis points
- Short C\$20,000 DV01 of 30-year Government of Canada bonds

Outlook on Global Markets:

We forecast deteriorating U.S. Treasury credibility due to persistent fiscal spending and ongoing threats to Federal Reserve independence. Following a less-hawkish-than-expected Bank of Japan meeting, we remain alert to tactical opportunities driven by developments in Japanese and French politics. In Canada, we are positioned for a sanguine economic outlook but remain short 30-year Government of Canada bonds to protect against potential 2025 budget implications.

Active Vs. Passive

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Few topics in finance have sparked more discussion than how investments should be managed. Whether it's the approach of stock picking or the long-term commitment of market tracking, investors have spent decades debating which strategy produces better results. This debate has been going on for decades but has really started gaining steam in the last couple of decades.

The Two Philosophies

An actively managed portfolio is based on the belief that markets are not perfectly efficient, and that mispriced securities present opportunities for excess return. Active portfolio managers rely on analyzing, forecasting, and attempting to predict the market to select investments they believe will beat a respective benchmark index, such as the S&P 500.

Passive investing is built on the premise that markets are efficient and that consistently outperforming them, especially in the long run, is extremely difficult. Instead of trying to outperform a benchmark, they aim to replicate it. They do this through index funds or exchange-traded funds (ETFs) that mirror an index's composition.

A Brief History

The origins of this divide trace back to the early 1970s. In 1971, Wells Fargo developed the first index fund, an unconventional idea at a time when nearly all investors trusted their portfolio managers to deliver superior results. A few years later, John Bogle founded the Vanguard Group and launched the first retail index fund in 1975, designed to track the S&P 500. His theory was that active managers weren't performing as well as they were perceived to be, and that he could earn better long-term results by capturing the market's return and cutting fees. The idea initially faced skepticism, but over time data began to support his theory.

The Shift Toward Passive Investing

By the 1990s, passive investing had evolved from a niche concept to a global one. The introduction of more ETFs made it easier for investors to gain broad market exposure, while undercutting portfolio manager fees. Over the last two decades, this shift has accelerated into billions of dollars being removed from mutual funds and put into passive products.

Since 2015, passive funds have increased their market share by going from 10.2 per cent to 19.5 per cent. During that time, passive funds attracted a cumulative \$219 billion in net new capital, compared to only \$114 billion for active funds.

The Difference in Performance

The case for passive investing is supported by decades of comparative data. Research consistently shows that, over the long term, the majority of active funds fail to outperform their benchmarks, especially after fees and expenses are taken into account. The SPIVA (S&P Indices Versus Active) Canada Scorecard is one of the most well-known reports on the performance of actively managed funds relative to their benchmarks.

Fund Category	Comparison Index	1-Year (%)	3-Year (%)	5-Year (%)	10-Year (%)
Canadian Equity	S&P/TSX Composite Index	42.5	83.3	96.4	82.3
Canadian Focused Equity	50% S&P/TSX Composite + 25% S&P 500 (CAD) + 25% S&P EPAC LargeMidCap (CAD)	51.5	67.6	91.2	96.6
Canadian Dividend & Income Equity	S&P/TSX Canadian Dividend Aristocrats Index	32.2	89.8	88.1	79.3
Canadian Small-/Mid-Cap Equity	S&P/TSX Completion	73.3	36.4	67.6	65.1
U.S. Equity	S&P 500 (CAD)	68.7	96.5	95.3	97.3
International Equity	S&P EPAC LargeMidCap (CAD)	59.5	79.7	87.4	93.1
Global Equity	S&P Developed LargeMidCap (CAD)	62.5	91.4	92.8	96

Source: SPIVA Scorecard 2022

The SPIVA Scorecard from 2022 provides a quantitative view of the percentage of funds that outperform their respective indexes over both the short and long term. Beating the market over the short term, as the data shows us, isn't impossible, however, doing so consecutively, year after year, becomes increasingly complex. About 80 per cent or more of funds in most categories failed to outperform their benchmarks over a 10-year period.

Comparing Canadian Mutual Funds to the Market

Mutual funds still dominate the Canadian market to this day, fueled mainly by the large banks. But just because the banks have a well-known brand, it doesn't mean they are necessarily any better at beating the market.

Fund Name	10-Year Trailing Returns (%)	MER (%)
RBC Canadian Index Fund - Series F	11	0.66
BMO Canadian Mutual Equity ETF Fund - Series A	7.3	0.62
CIBC Canadian Index Fund - Series A	7.5	1.17
iShares Core S&P/TSX Capped Composite Index ETF (XIC.TO)	11.79	0.06

To illustrate this underperformance, I selected three random Canadian equity-focused mutual funds from top Canadian banks and compared their 10-year performance with that of the iShares Core S&P/TSX Capped Composite Index ETF (XIC.TO). More importantly, I also compared their management expense ratios (MER). As shown in the chart, you would have paid higher fees and received a subpar return over a 10-year period if you had invested in these mutual funds rather than a very similar ETF.

Why Do People Still Actively Manage?

Even with decades of data showing that most active managers underperform their benchmarks, active management still has its appeal. Some investors believe skill, insight, and research can identify opportunities that passive strategies miss. In less efficient markets, like small or mid-cap equities, there is more room for managers to beat their benchmarks. Active management also allows for flexibility in responding to market changes, sector rotations, and economic shifts. For many reasons, actively managed portfolios, or at least partially actively managed portfolios, will always have their place in the financial industry.

Deal Spotlight: L'Oréal Buys Kering Beauté for €4 Billion

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In late October, Kering SA announced that it would sell its entire beauty division, Kering Beauté, to L'Oréal SA for approximately €4 billion in cash. The deal includes Creed, the high-end fragrance label Kering acquired in 2023, along with long-term licenses that give L'Oréal exclusive control of the fragrance and beauty lines for Balenciaga, Bottega Veneta and Gucci once its deal with Coty expires around 2028. The transaction is expected to close in early 2026, pending regulatory approval. Goldman Sachs and Lazard acted as advisors to Kering, while BNP Paribas and Crédit Agricole CIB advised L'Oréal.

At first glance, this might look like a portfolio clean-up for Kering, with the sale of a non-core division, while L'Oréal expands its luxury footprint. However, there is more going on behind the scenes. The sale highlights two very different strategies in the luxury space. Kering is pulling back and refocusing after a tough few years, while L'Oréal is doubling down on what it already does best, growing profitable, scale-driven beauty brands.

For Kering, the timing of this sale is important. Over the past few years, the company's profitability has weakened, and debt levels have climbed. Gucci, which still represents close to half of Kering's operating income, has struggled to maintain growth momentum. At the same time, the group has spent heavily on acquisitions, marketing, and store expansion. According to its latest half-year results, Kering reported net debt of just over €9.5 billion. Proceeds from the Beauté sale will provide liquidity that analysts expect to be used primarily for debt repayment and reinvestment in its core fashion and jewelry brands.

For L'Oréal, this acquisition fits seamlessly into its long-term strategy. The company already manages several major luxury beauty licenses, including Armani, Valentino, and Yves Saint Laurent. Adding Creed gives it a strong position in the ultra-luxury fragrance space, while long-term control over the beauty lines of Gucci, Balenciaga, and Bottega Veneta strengthens its portfolio across multiple price points. L'Oréal's deep R&D capacity, global supply chain, and strong retail network make it well-equipped to grow these brands without compromising their positioning.

What Happened in the Deal

Under the agreement, L'Oréal will acquire Kering Beauté for around €4 billion in cash. The purchase will be financed entirely from existing cash reserves and short-term credit facilities. This demonstrates L'Oréal's strong balance sheet and cash-generating capabilities. No new equity or debt issuance is expected. For Kering, the sale will generate several billion euros in proceeds that will go toward strengthening its financial position.

Kering's 2023 acquisition of Creed marked its first step into in-house beauty, but it ultimately weighed on the company's balance sheet. The purchase added leverage at a time when Kering's margins were already tightening. The cost of expanding Creed's distribution network and integrating operations proved higher than expected, creating pressure on profitability. The sale of Beauté serves as a reversal of that strategy by allowing Kering to offload a capital-heavy division that was not generating the returns it needed. In contrast, L'Oréal's recent expansion into luxury beauty has been smooth. Its acquisition of Aēsop in 2024 has performed strongly, giving L'Oréal greater exposure to high-end skincare and fragrance while proving its ability to integrate premium brands effectively. Adding Kering Beauté builds on L'Oréal's M&A strategy to continue acquiring businesses that align with its scale, expertise, and global reach.

Why the Sale Makes Sense

The beauty industry tends to be a competitive, capital-intensive business that requires significant investment and innovation before achieving sustainable profitability. L'Oréal already has the size and expertise to manage growth efficiently, while Kering was still in the early stages of building internal capabilities.

The sale allows Kering to simplify and focus on what it does best, including fashion, leather goods, and jewelry. Industry analysts told the Financial Times that the sale "improves liquidity and provides financial flexibility after a period of heavy investment." In practice, this means Kering can reduce debt and reinvest in its core brands, such as Saint Laurent and Boucheron, where it already has strong creative leadership and higher operating margins.

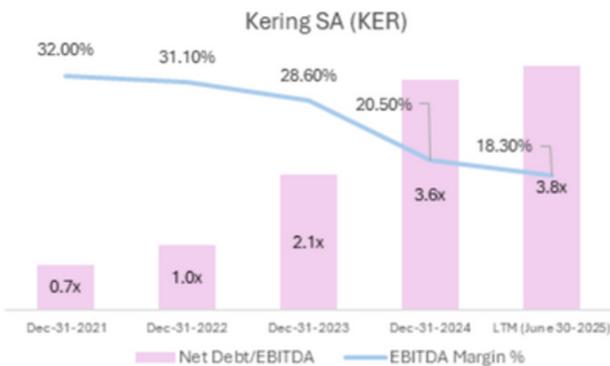
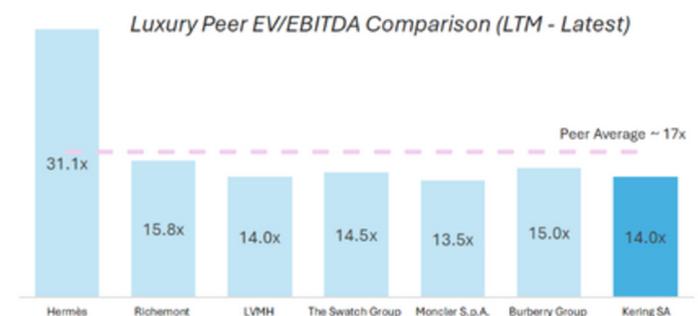
The move also simplifies the group's structure, allowing management to focus resources on improving profitability in its core fashion houses.

Market and Industry Context

The luxury sector has become more selective about where and how it grows. LVMH has long integrated its beauty operations in-house through brands such as Dior and Givenchy, while Prada and Ferragamo continue to license their beauty lines externally. Kering initially tried to follow the LVMH model by building a fully owned beauty business, but the scale and regulatory hurdles were higher than expected. Beauty requires global reach, compliance in dozens of markets, and years of marketing investment, all of which L'Oréal already has. According to the Financial Times, the global beauty market has outpaced luxury apparel growth over the last five years, expanding by about 6 per cent annually, compared with roughly 4 per cent for fashion. Beauty also has shorter product cycles and more predictable demand patterns, which make it an attractive category for companies like L'Oréal that prioritize recurring revenue streams. The market's reaction to the deal was positive. Kering's shares were up 4.8 per cent after the announcement, while L'Oréal's stock was up 1.2 per cent. Reuters described the transaction as "a win-win," noting that L'Oréal secures rare premium assets while Kering streamlines its portfolio and strengthens its financial position.

Peer Valuation Perspective

Comparing Kering to its peers also helps explain the logic behind the sale. Hermès continues to trade at the highest valuation in the luxury sector, with Richemont and LVMH following behind. Kering, which has faced slower growth with Gucci, trades at a lower multiple than its main rivals. By selling Beauté at a higher relative valuation, Kering effectively monetized an asset that the market was not fully recognizing within its consolidated valuation. Kering trades at a discount to Hermès and Richemont, and the Beauté sale lets it capture a valuation premium for a smaller, non-core division.



Kering's margins have narrowed, and leverage has increased in recent years, highlighting the logic of a sale that boosts liquidity and resets its balance sheet.

Synergies and Integration

L'Oréal is positioned to benefit immediately from both cost and revenue synergies. Creed, known for its craftsmanship and exclusivity, will gain access to L'Oréal's global marketing and distribution network, especially in markets such as North America and Asia, where demand for luxury fragrance is expanding. Managing Gucci, Balenciaga, and Bottega Veneta beauty under a single parent also creates efficiency in product development, supply chain management, and advertising. While neither company has provided a synergy estimate, analysts covering L'Oréal expect incremental annual savings and revenue gains from cross-brand marketing and shared infrastructure. More broadly, this acquisition fits with L'Oréal's ongoing strategy to consolidate premium brands that can deliver consistent growth over time. For Kering, the sale does not produce operational synergies but does create financial ones. Reducing debt will lower interest expenses and free up capital for reinvestment.

Strategic Takeaway

This transaction highlights two contrasting definitions of success in the luxury industry. Kering is choosing to simplify, refocus, and rebuild profitability after years of rapid expansion. L'Oréal is choosing to grow through scale, leveraging its infrastructure to add new brands to its portfolio. Both strategies play to each company's strengths. Kering's decision is not a retreat from growth, but a reset built around discipline. It gives the company space to repair margins, lower leverage, and concentrate on its core creative brands. L'Oréal, on the other hand, continues to execute a proven formula of acquiring premium labels and expanding them globally while maintaining brand integrity. From an M&A perspective, this deal checks key boxes. It has a clear strategic rationale, a strong valuation, low financing risk, and complementary synergies. For Kering, it brings balance sheet relief and renewed focus. For L'Oréal, it adds another reliable growth engine in a category that continues to outperform the broader luxury market. In my view, this is a clean and well-timed deal that benefits both sides. It shows that in today's luxury industry, focus and timing can be just as valuable as scale.

The Creative Boom: How AI Will Redefine Human Value

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The digital revolution could not have arrived at a more critical time. Across the developed world, aging populations, falling birth rates, and rising dependency ratios are straining the foundations of growth. With fewer workers supporting more retirees, the mathematics of prosperity no longer add up. Automation and artificial intelligence promise to fill that gap, boosting output as workforces shrink. Yet these same forces risk deepening inequality, concentrating power and reviving an old fear: the damn robots taking our jobs.

This is not the first time technology has redefined prosperity. The first came with the Industrial Revolution, when economies shifted from agriculture to machinery. The second emerged in the late 20th century as industrial labour gave way to service and information. Each wave of progress has redefined how people spend their days: from growing food, to building machines, to processing information. As Keynes predicted, progress is not just about efficiency but about the pursuit of meaning.

Economists might see these transitions as part of a long Kondratiev wave, where each cycle of innovation reshapes both work and purpose.

By 2030, roughly one in three cognitive task-hours worldwide could be performed by AI, translating into a potential 5 per cent to 12 per cent rise in labour productivity. A projection that once required a day of economic modelling now takes ChatGPT's free version minutes - a small example of how technology drives efficiency and accelerates change.

If AI absorbs the cognitive load of modern economies, humanity's comparative advantage will shift again. Machines can mimic reasoning, but they cannot replicate genuine creativity or perspective. Our edge now lies not in computation, but in imagination. We are moving from an economy of efficiency to one of expression.

The seeds of that shift were planted in 2005, when YouTube monetized creative expression on a global scale for the first time. Over the next two decades, platforms such as Instagram, TikTok, and Twitch transformed content creation from a hobby into an industry worth hundreds of billions of dollars. Today, over 200 million people identify as creators worldwide, and telling someone you are a content creator no longer gets you laughed out of the room and told to "get a real job."

The same transformation is reshaping firms. Competitive advantage is increasingly measured not by scale or capital, but by creativity in strategy, marketing, and design. Once thought expendable, designers have become more, not less, essential. Across technology companies, the ratio of designers to programmers has risen from about 1:25 to 1:8 (UXPin, 2023). Driven by the large language models' nature of handling structured, rules-based work with precision, but faltering in ambiguity and judgment. As architecture and code become commoditized, differentiation depends on the distinctly human capacity to shape experience.

While the creative economy may have begun with artists and content creators, its influence extends far beyond them. The next generation of value will come from creative thinking applied across disciplines, in how firms manage risk, policymakers design regulation, engineers approach sustainability, or strategists reframe market problems. Creativity, in this broader sense, is the ability to link data, emotion, and context in ways that give ideas commercial and cultural value.

The scarce resource in an age of automation is no longer information or skill but taste: the capacity to make something feel distinctively human. The creative economy will not rely on routine output but on the power to differentiate, making ideas resonate when everything else is easily replicated.

In advertising, fewer account executives will push data-driven campaigns while more cultural strategists will translate analytics into emotion. In finance, analysts will spend less time modelling and more time crafting persuasive, story-driven investment theses. Even manufacturing will depend on creative design to define how products feel rather than how they function.

The pattern of innovation is familiar. Each technological leap creates new efficiency but also invites inequality. Without regulation, AI's productivity gains could generate negative externalities, deepen divides and erode public trust in institutions. Smart policy can internalize those costs and turn them into social dividends. Properly managed, AI need not threaten human purpose; it can expand it.

If governed wisely, AI could offer humanity the rarest form of capital: time. Time to think, to create, and to pursue the higher expressions that define what it means to be human. For centuries, machines have been built to free people from labour. Now, at last, that liberation may be within reach. The question is not whether AI will change the nature of work, but whether we will use that freedom to consume endlessly or to create meaningfully. The answer will determine whether this revolution truly liberates us or merely automates us.

The Law Behind the Label: When Green Investing Turns Grey

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The Role of Carbon Markets

Originally a niche movement, "green investing" has become a defining feature of modern finance. ESG, short for environmental, social and governance factors, now drives more than \$3 trillion in assets worldwide, with Canada ranking among the top nations per capita. Investors are not just chasing returns anymore; they are chasing purpose.

A mix of pressure and practicality fueled the rise of ESG. Corporations began disclosing climate risks, consumers demanded accountability, and portfolio managers realized that sustainability could be good business. But when ESG went mainstream, the idealism that once fueled it began running up against a more unyielding force: the law.

It's a simple question with an uncomfortable edge: when does "green" stop being an aspiration and become a responsibility?

The Legal Landscape: From Values to Verification

In Canada, the Canadian Securities Administrators (CSA) have issued guidelines on ESG disclosure, warning fund managers to clearly explain what their sustainability claims mean and how they are verified. Internationally, the International Sustainability Standards Board (ISSB) is setting a global baseline for ESG reporting, aiming to make "green" labels less subjective and more comparable.

But as the rules tighten, new questions arise. Are investment professionals legally obligated to consider climate risk as part of their fiduciary duty? If ignoring climate exposure could harm a client's long-term portfolio, does that breach their duty of care?

Regulators, once content to watch from the sidelines, are now stepping onto the field. In the U.S., BNY Mellon faced a multimillion-dollar penalty after the SEC spotted a gap between ESG ideals and actual practice. Germany's DWS Group met similar questions. And in Canada, the message is clear: greenwashing, the soft spin of sustainability, may soon meet real consequences.

The problem is definitional: ESG has no fixed legal meaning. It's a concept everyone uses but few can pin down. And that vagueness makes both compliance and enforcement a moving target.

Greenwashing Goes to Court

Globally, ESG disputes are increasingly landing in courtrooms. Investors have filed suits in Europe and the U.S. claiming they were misled by "sustainable" funds that turned out to hold high-emission or socially controversial assets.

Imagine a similar case in Canada: an investor buys into a "green" mutual fund, later discovering a hefty allocation to oil and gas. Could they claim misrepresentation under securities law?

Absolutely. If marketing materials led them to believe the fund was environmentally responsible, that disconnect could expose them to legal liability.

The shift is unmistakable. ESG has outgrown its role as a feel-good label and entered the space of truth and accountability. Sustainability is no longer a marketing choice; it is a measure of integrity. The stakes are higher now, and so are the expectations. Real progress demands evidence, not just intention, and the companies that understand this will be the ones still standing when the trend passes.

The Future of Accountability

What's coming next is more than regulatory fine-tuning; it's a cultural shift in finance. ESG reporting will likely move from voluntary frameworks to mandatory legal standards, complete with third-party audits, standardized metrics, and enforcement teeth.

For investors and companies alike, that means legal literacy is becoming part of sustainability literacy. Understanding how fiduciary duties, disclosure rules, and advertising standards intersect with climate claims will be essential. The firms that treat ESG as compliance theatre will find the spotlight turning uncomfortably bright.

In the emerging economy, sustainability is no longer just a virtue. It is a contract, a living agreement between companies and the societies they serve. What once sounded aspirational now carries the weight of expectation. As the law begins to catch up to the label, those who trade on green credibility will need to prove that their claims can stand up to scrutiny. The story of sustainability is changing, moving from marketing language to measurable responsibility. The companies that understand that shift will be the ones that endure.

Can Nuclear Flatten Electricity Market Volatility?

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For decades, electricity markets have behaved like a roller coaster, with steep climbs during heatwaves, sharp drops in low-demand seasons, and wild price swings driven by natural gas volatility.

But a silent contender, nuclear energy, may smooth out volatility. While this discussion focuses primarily on European electricity markets, where deregulation and cross-border trading dominate, the underlying ideas apply broadly to grids worldwide.

In the absence of nuclear power, electricity markets reflect panic. Nuclear power doesn't just produce electricity; it produces predictability. Globally, nuclear power supplies about 10 per cent of total electricity, yet over sixty new reactors are under construction and hundreds more are planned or proposed. Even if only a fraction of these projects materializes, the growth trend signals a renewed commitment to nuclear energy.

Meanwhile, volatility in electricity prices has reached extremes. During Europe's 2022 energy crisis, wholesale prices spiked more than 400 per cent as gas shortages collided with weather-dependent renewables. In Texas, real-time electricity prices swung from \$30 to over \$9,000 per megawatt-hour during the February 2021 freeze. If nuclear momentum continues, can it smooth these waves, or will rising demand blunt the impact?

The Mechanism

Nuclear power's stabilizing force lies in its consistency. Unlike gas or renewables, nuclear plants operate continuously, unaffected by weather or fuel price shocks. Suppose you think of electricity as a highway. The cars are electrons flowing across the grid; on-ramps are power plants, off-ramps are consumers. When too many cars enter or lanes close unexpectedly, congestion drives prices up. In this flow, nuclear energy acts as a steady, predictable lane, meaning a constant stream of electrons moving at a controlled pace.

Nuclear energy's steady presence can keep the traffic flowing smoothly, reducing reliance on expensive "peaking plants" that often set marginal prices in deregulated markets. While nuclear generation rarely sets the marginal clearing price itself, its consistent output lowers the frequency with which higher-cost gas units determine prices, which effectively shifts the markets downward. In forward markets, this reduced volatility compresses risk premiums in futures and options contracts, lowering hedging costs for utilities and narrowing speculative spreads. Because uranium accounts for only about 5 per cent to 10 per cent of total generation costs, even sharp moves in uranium prices barely affect overall electricity costs, compared with swings in natural gas prices.

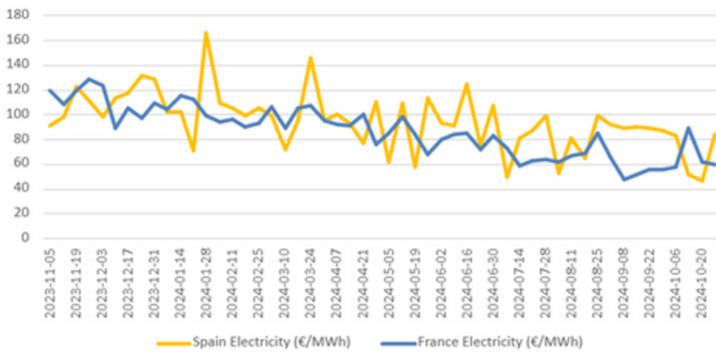
Small Modular Reactors (SMRs) will continue the trend of shrinking volatility. Their shorter build times and regional scalability allow them to add flexibility while maintaining consistency, potentially decentralizing stability across smaller grids. Still, SMRs remain largely theoretical at scale. While their modular design could bring power generation closer to load centers, they will remain centralized assets tied to major grids. In practice, SMRs will reinforce the existing grid's stability rather than revolutionize its operation.

The Limits of Stability

Even if nuclear power flattens generation patterns, stable prices depend on more than steady output. Transmission congestion, carbon pricing, and demand surges all reintroduce volatility. And in deregulated markets where electricity trades like a commodity, scarcity pricing and speculation will ensure that spikes never vanish entirely.

Nuclear energy's rise could transform violent price swings into gentler movements, but without faster permitting, stronger financing properties, and better grid investment, it will only dampen volatility.

Day-Ahead Power Prices (€/MWh): Spain vs France, November 2023 - November 2025



A comparison between France and Spain illustrates nuclear power's stabilizing role. France, where around 60 per cent of electricity is generated by nuclear plants, shows smoother day-ahead price movements than Spain, which relies heavily on fossil fuels. Of course, France's stability isn't purely a function of its generation mix. Its deep interconnections with neighbouring markets and long-term bilateral contracts also dampen volatility, suggesting that nuclear's influence is reinforced by its structural design rather than isolated from it.

For traders, volatility isn't just noise; it's an opportunity. In power markets, sharp price swings create liquidity and drive trading margins across derivative contracts.

Yet for utilities and consumers, that same volatility translates into hedging costs and exposure risk. In this sense, nuclear energy's appeal lies less in eliminating volatility entirely and more in moderating it to a level that keeps both reliability and tradability intact.

Two paths lie ahead.

Scenario A:

By the 2030s, SMRs achieve commercial scale, uranium supply expands, and nations adopt long-term price guarantees. Electricity markets experience half the volatility of the 2010s as nuclear baseload anchors prices.

Scenario B:

Permitting delays and financing bottlenecks slow construction. Renewables dominate the margin, leaving grids vulnerable to policy and weather shocks. Prices remain erratic, and nuclear power becomes a missed stabilizer. A technological 'what if.'

Nuclear energy can meaningfully reduce volatility in electricity markets, offering steadier pricing and a stronger foundation for long-term stability. But without major investment, policy alignment, and reform in the infrastructure design, that stability will remain partial. The path forward isn't perfectly smooth, just smoother than before. Nuclear power may quiet the roller coaster, but it can't rebuild the track.

Moment of Calm - USD/CAD Short Strangle

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Introduction:

There has never been a global financial market as exciting as 2025. As we move past October, volatility remains the name of the game across asset classes, from U.S. rate repricing to equity index rotations. Funnily enough, it seems like the markets have finally come to a moment of relative calm after months of geopolitical and macro turbulence, with events like post-liberation day moving economies into panic mode. As such, the current market appears to offer new opportunities in North American FX markets, as both the Federal Reserve and the Bank of Canada seem to be converging on dovish monetary policies, allowing the U.S.-Canadian dollar exchange rate to settle into a narrow range near (Fig. 5).

This article explores this "moment of calm" through the lens of volatility.

Rather than a directional view, this trade thesis focuses on the compression of realized volatility and its implications for trade positioning through short-volatility strategies such as a U.S.-Canadian dollar strangle.

I. Central Bank Synchronization: Range-bound FX

With both the Federal Reserve and Bank of Canada meetings scheduled for Oct. 29, discussions about dovish monetary policy for the respective North American economies have been highly topical at the tail end of 2025. Given our current views on both economies, the DALIS Global Macro fund seeks to capitalise on the synchronization of both central banks cutting 25 basis points in the upcoming meetings. Both economies would heavily consider monetary easing, where the benefits would outweigh the risks.

In Canada, growth stimulation is greatly needed amid many macro concerns. Unemployment has remained elevated at 7 per cent for the past six months, from April to September, amid slowed economic growth due to a multitude of factors, including U.S. trade-war impacts, rapid population growth, and low job creation amid high competition for entry-level jobs. In addition to labour slowdowns, consumption remains weak as consumer confidence wanes, with retail sales reaching a year-over-year low in July, down 1.1 per cent due to future economic uncertainty and other macroeconomic factors. Finally, housing has been a complex topic for many Canadians, as prices seem to remain sticky in the short to medium term and housing supply is weakening, creating an affordability paradox for many first-time homebuyers. This is supported by building permits, month-over-month printing -0.1 per cent in July and -1.2 per cent in August, which have surprised surveys across the board. As a result, the Bank of Canada's rate cuts make the most sense, as macroeconomic uncertainty plays a significant role in Canadian spending habits and, as such, we see a ripple effect on both the supply and demand sides of the economy.

As for the U.S., there are several indicators of slowing growth that should be addressed by the Fed in the coming days. Firstly, the United States' labour market is experiencing a slowdown in job growth, with slight increases in the unemployment rate. This sentiment is clear, as non-farm payrolls in August disappointed, printing 22,000 jobs added versus an expected 75,000; this suggests downside risk to employment, which is part of the Fed's dual mandate to maximise employment and price stability.

Furthermore, the Fed also needs to address concerns about elevated levels of economic uncertainty compounded by factors of government shutdown, which has halted the release of crucial economic data such as September Non-farm payrolls, initial jobless claims, and retail sales. As such, we believe the Fed will take a preemptive approach to cutting rates in anticipation of future economic shocks stemming from the withheld economic data. A potential rate cut would address concerns about the U.S.'s troubled labour market and ongoing economic uncertainty, with crucial unreleased economic data due to the government shutdown.

Given these macroeconomic conditions, the markets have already factored in both the upcoming rate cuts by the BoC and Fed. In the U.S., this is widely expected throughout the market, given cooling inflation and a modest slowdown in job growth, which gives the Fed all the more reason to stimulate growth and accelerate consumption. Meanwhile, in Canada, while inflation data has come in hotter than expected, the BoC is expected to lean more towards a cut, given weaker GDP and employment data. As monetary policy convergence reduces directional risk in U.S.-Canadian dollar, it creates an opportunity to short volatility through a strangle.

II. Quantitative Data: Stability Creates Opportunity

According to current market sentiment, as of Oct. 24, SOFR and CORRA overnight index swaps are almost entirely priced in a ~99 per cent (Fig. 1) and ~87 per cent (Fig. 2) probability for a 25 bps cut. As such, if both economies cut rates by 25 bps, there will be minimal change, or none at all, in the U.S.-Canadian dollar pair. Inflation seems to have cooled in the U.S., while Canada's GDP and labour market have softened enough to justify dovish stances in both economies. This convergence reduces relative rate differentials, significantly lowering directional changes in the currency pair while also supporting the continuation of range-bound trading.

Region: United States »		Instrument: Overnight Index Swaps »			
Target Rate	4.25	Pricing Date	10/24/2025		
Effective Rate	4.11	Cur. Imp. 0/N Rate	4.110		
Meeting	#Hikes/Cuts	%Hike/Cut	Imp. Rate Δ	Implied Rate	A.R.M.
10/29/2025	-0.990	-99.0%	-0.248	3.862	0.250
12/10/2025	-2.023	-103.3%	-0.506	3.604	0.250

Fig.1

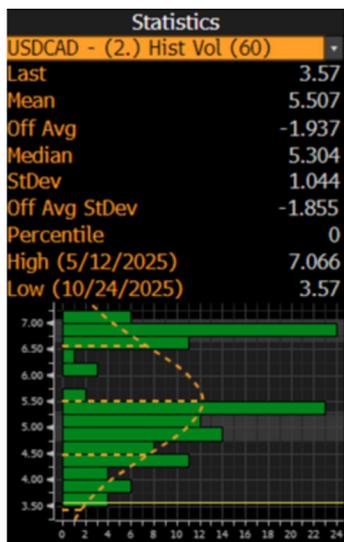
Region: Canada »		Instrument: Overnight Index Swaps »			
Target Rate	2.500	Pricing Date	10/24/2025		
Effective Rate	2.5100	Cur. Imp. 0/N Rate	2.520		
Meeting	#Hikes/Cuts	%Hike/Cut	Imp. Rate Δ	Implied Rate	A.R.M.
10/29/2025	-0.869	-86.9%	-0.217	2.303	0.250
12/10/2025	-1.257	-88.8%	-0.314	2.206	0.250

Fig.2

Volatility in U.S.-Canadian dollar has compressed significantly over the last two months, marking one of the quietest periods of the year.

60-day Historical Volatility: 3.57 per cent (~0th percentile of its 6M range)

4-day Historical Volatility: 2.02 per cent (17th percentile of its 6M range)



This backdrop shows that the market has already priced out most event-driven risk, both in realized and implied terms. While this limits the upside from traditional volatility shorting, since IV is not materially above HV, it enhances the reliability of time decay as a consistent income stream. In other words, the edge of this trade is not from “vol mispricing” but from vol persistence. The pair has traded within a 1.37–1.41 range since early October, exhibiting mean reversion around the 1.40 level (Fig. 5). Even intraday realized vol has fallen sharply, suggesting limited follow-through on directional moves.

In short, this means that short-gamma exposure carries less risk of large spot swings. Additionally, theta decay becomes more predictable, and the carry yield on short option positions is more stable when realized vol remains well below strike-implied break evens, offering a window for income harvesting until the next policy catalyst such as t next BoC meeting. While implied volatility may be low, the short strangle remains justified as a carry trade, where the risk-reward dynamic is driven primarily by theta versus gamma rather than implied versus realized mispricing.

III. Trade Mechanics

The basic structure of the trade is as follows: a short U.S.-Canadian dollar strangle with 1.37 put / 1.41 call, roughly $\pm 3\sigma$, based on 4 Day realized volatility. In addition, the options' tenor would be shorter - between 1 and 2 weeks - to maximize theta sensitivity and minimize exposure to sudden Vega spikes.

Regarding the conceptual setup for the Greeks, we are short vega at -0.05 per one volatility point, which is minimal given low implied volatility, short gamma, and positive theta. We believe steady daily premium erosion is a core profit-and-loss driver for the trade. With each passing day without a breakout, the option's value erodes in favour of the seller.

Gamma and Vega exposure are manageable given the narrow spot range and low implied volatility. The setup benefits from predictable carry as long as U.S.-Canadian dollar trades within its recent corridor of roughly 1.39–1.405, where intraday realized moves have averaged just a few basis points. To protect against sudden breakouts, the position should be delta-hedged periodically and managed with a tight stop if realized vol exceeds ~ 5 per cent or spot breaches either strike. This is a tactical theta-harvesting trade, seeking to generate steady carry rather than a directional or volatility-arbitrage play.

Rare Earth Sector Overview: Investor Perspective on Canada and the United States, 2023–25

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Executive Summary

The rare-earth elements (REE) sector in Canada and the U.S. has experienced significant momentum over the past two years due to geopolitical pressures, a surge in demand for electric vehicles (EVs) and renewable energy technologies, and a broader push to secure critical mineral supply chains outside of China. This report outlines key developments, updates and forward-looking assessments for investors considering entry or expansion in the rare-earth space.

Market Context and Background

Rare-earth elements (REEs) are essential for numerous advanced technologies, including EV motors, wind turbines, electronics, and defence systems. The sector is dominated by China, which controls over 85 per cent of global refining capacity. The United States and Canada have responded with policy incentives, strategic partnerships and funding programs to build domestic capacity.

Key Updates: 2023–2025

Canada:

Vital Metals (Nechalacho project, N.W.T.) — Canada’s first rare earth mine. While initial production began in 2021, financial and operational hurdles have paused full development. Discussions with new partners are ongoing.

Defence investments — The Canadian government committed \$3.8 billion under its Critical Minerals Strategy, supporting REE projects such as Search Minerals in Newfoundland and Appia Rare Earths in Saskatchewan.

Saskatchewan Research Council (SRC) — Construction of a rare earth processing facility in Saskatoon, set to be Canada’s first vertically integrated REE processing plant.

United States:

MP Materials (Mountain Pass, Calif.) — The largest rare earth producer in the United States, expanding refining capacity with government support. MP Materials signed supply agreements with General Motors and received Department of Defense grants.

Lynas USA — Australia-based Lynas is building a processing facility in Texas with \$120 million in Pentagon funding.

Defense Production Act (DPA) activation — In 2022 and 2023, the Biden administration used the DPA to secure REE supply chains, allocating more than \$200 million to processing and recycling projects.

Alaska’s Bokan-Dotson Ridge and Texas Mineral Resources’ Round Top project have shown steady progress through the feasibility and permitting stages.

Sector Challenges

Refining bottlenecks — Even with mining underway, both countries struggle with processing capacity.

Environmental regulation — Long permitting timelines and environmental reviews in both countries cause delays.

Pricing volatility — Prices for neodymium and praseodymium (NdPr) fluctuated by more than 30 per cent in 2023, driven by Chinese export policies and tech-sector demand.

Growth Drivers

EV demand — Global EV sales are projected to reach 30 million units by 2030; each uses about 0.5 kilograms of rare earth magnets.

Strategic stockpiling — The United States is building national REE reserves to reduce dependency on China.

OEM partnerships — Companies such as Tesla, General Motors and Ford are increasingly investing upstream into mining and refining ventures.

Strategic Considerations for Investors

Upstream opportunities — Early investment in mining juniors such as Ucore, Appia and Search Minerals could yield high returns if vertically integrated.

Midstream gaps — Processing and refining remain underserved; partnerships with U.S. or Canadian government-backed initiatives present lower-risk entries.

ESG scrutiny — Investors should assess community engagement, water usage and waste management strategies due to growing ESG compliance requirements.

Conclusion

With substantial government backing, rising geopolitical urgency and increasing industrial demand, Canada and the United States are positioned to capture a greater share of the global REE market. However, success depends on timely permitting, breakthrough processing technologies and sustained capital flows. For investors, early positioning — particularly in integrated supply chains — offers a strong strategic play over the next three to seven years.

Year	Estimated Investment (\$B)	Major Initiatives
2023	1.5	DPA grants, GM–MP deal, SRC plant expansion
2024	2.2	Lynas Texas ramp-up, Saskatchewan pilot lines
2025	3.0+	Full vertical chains in Canada, U.S. recycling



Rick's Rant

What I Learned From the Dot-Com Bust

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In the early 1990s, I was very fortunate to have a front row seat to the rise and subsequent fall of the dot-com companies. It was a fascinating time to be beginning one's career in finance. My specific field was derivatives, and they, too, were still in their infancy more or less. When combining derivatives with dot-com mania, it was the equivalent of two toddlers driving the bus.

I was part of a team that developed a series of leveraged investment products, which we labelled "multi-media" investments. We, and the rest of the market, were so naïve about what was actually happening that we did not know enough to call it the internet. Fortunately for us, neither did anyone else when we first started.

The products that our team created became very successful, and as such, I got invites to many of the major conferences and corporate events. Admittedly, it was a fun time.

The atmosphere then seems to have some real parallels to the current situation involving the investment prospects for AI. There is the same level of hype, and a similar proportion of people screaming either that the market is going to experience an ugly crash or that the market is going to soar. There is also the same amount of money rushing around looking for ways to take advantage of the situation.

In light of the similarities, I thought it might be interesting to share what I learned from the experience of the 90s into the early 00s.

The first lesson I learned is that ideas should go looking for money; money should not go looking for ideas. This was something that was emphasized in my MBA finance class taught by the Professor Emeritus at Ivey, David Shaw. Dr. Shaw was awesome, and I try my best to emulate his passion for finance, learning and student development in my classes and activities. Sadly, I do not have his brain and skill set, but I do what I can. As Dr. Shaw emphasized, when money goes looking for ideas, it does stupid things.

Money, looking for ideas, loses its creativity and judgment and becomes lazy. Currently, it seems there is a lot of money looking for AI ideas, just as there was a lot of money looking for dot-com ideas in the 90s.

The second lesson is that there will be huge winners. I am highly confident (a technical finance term created by the smart folks at Drexel Burnham Lambert, look it up, folks) that there will be huge winners in the AI space. You can rightly say, "Duh!". Of course, there have already been huge winners. I, too, see that a certain company just broke the \$5 trillion barrier. However, it is still early in the game. The big winners have likely yet to emerge, and...

The third lesson is that there will be big losers. Some of those big losers will be the early winners. While Pets.com is the poster child for internet losers, does anyone remember the salad days of Nortel? When was the last time (if ever) you logged on to AOL (which was quietly sold to Bending Spoons!)?

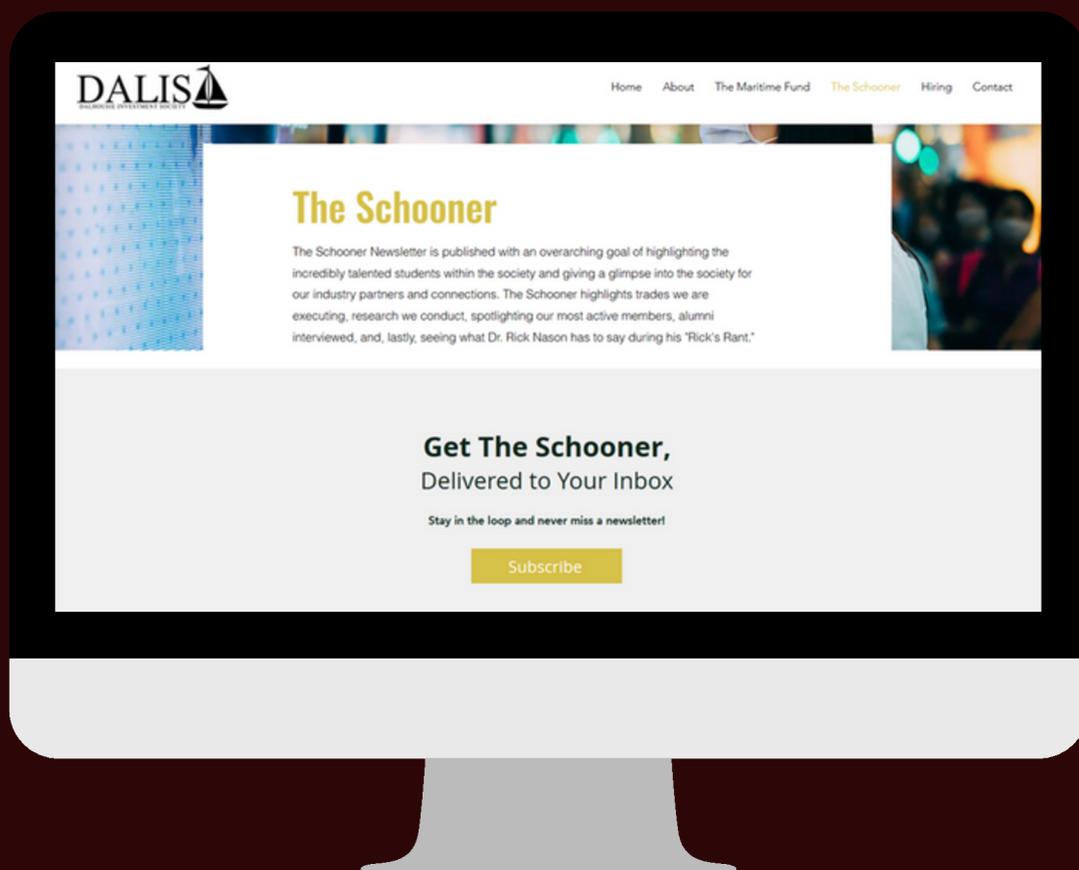
The fourth lesson is that a transformative industry is complex, not complicated. In stating this, I am assuming you understand the difference between a system that is complicated and one that is complex. Most people do not. While I can rightly be accused of constantly going on about this distinction, it is the biggest lesson I learned from living through the rise and fall of the dot-com period. I believe that understanding, appreciating, and living this distinction is one of the major killer skills of the next decade or two.

Complexity leads directly to my final point. I had the good luck to interact with a lot of the business leaders of the dot-com era. I listened with rapt attention to their predictions and explanations of how the market and the industry would play out. However, over time, I realized they were all massively off the mark with their predictions. While the internet and its offspring, like social media, have obviously massively changed our lives, no one predicted how it would change our lives. Things came to be in ways that no one predicted. The only prediction that was accurate was that things would change, and they did. A paradigm shift is almost always complex. As such, a paradigm shift is completely unpredictable and takes on a life of its own. We may fool ourselves into thinking we control it, or manage it, but the reality is that it manages us, both individually and as a society. Thus, my final learning is that no one knows how this will progress. It is still very early days (but then again, I could be very wrong in that assertion).

One final note. I am not making any market predictions on this. I have no idea. If you don't believe me, then you have not read what I wrote above. I have no idea which companies will succeed or fail. I do not know if the market will crash or soar forever. What I believe, based on my experience, is that it will be fun and surprising to watch.

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