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THE SCHOONER

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INSIDE THIS ISSUE

02 TRADE OF THE MONTH
Intel (NASDAQ: INTC) OTM Put Play

03 ALUMNI SPOTLIGHT
Michael Wilkes

05 OCTOBER RECAP
The month at DALIS

06 THE MARITIME FUND
Portfolio commentary & balance sheet

11 DYLEN KEEL
The GPU blue book

11 JAMES KEAYS
The emergence of Canada's LNG investment landscape

12 JOSHUA KERTESZ
The sovereign spillover: How France's debt problem affects everyday borrowing costs

13 JAN KNEBEL
Cold assets: Why the Arctic is capital's next frontier

15 SAM COLLINS
From Russia, with less: Why U.S. Gulf barrels are filling Brazil's diesel gap

16 RICK'S RANT
Case comp season

Trade of The Month

Malcolm Hill
Portfolio Manager - Long/Short Equities

Intel (NASDAQ:INTC) OTM-Put Play

Position overview

On Oct. 28, 2026, the Equities portfolio bought 200 Intel (NASDAQ: INTC) Oct. 30 US$94 puts ahead of Intel's third-quarter earnings, with the stock trading just above the strike. We paid C$5.48 (US$3.90) per share, or C$109,500 in total. That represented less than 0.2 per cent of the portfolio and was our maximum potential loss. Below the US$90.10 breakeven, every dollar Intel fell was worth US$20,000 in profit. Intel reported after the close on Oct. 29 and fell 29 per cent the next day. The puts were sold on Oct. 30 at C$40.96 (US$29.32). That is C$709,788 in profit, representing a return of 648 per cent.

Rationale

Everyone at DALIS has heard me ramble on about Micron, an anchor that has weighed on the portfolio less and less over the past few days. Holding Micron has kept our finger on the pulse of the memory market as we look for catalysts that may challenge our thesis. This trade is the other side of the table. AI data centres are buying memory as fast as it can be made, and Micron is sold out through 2029. High-bandwidth memory (HBM), used in AI servers, requires about three times the wafer area of standard PC memory. As more production capacity shifts toward HBM, less is available for the memory used in laptops. Intel sits right in the path of that. Every PC and server needs both a CPU and memory to work. Nobody buys half a computer, so when memory makes PCs pricier, fewer get built and fewer Intel chips get ordered. And unlike fabless rivals such as AMD and Apple, Intel owns its factories. That is a strength when they are full and a liability when they are not.

Our outlook on Intel was bearish in the short term, especially as earnings approached, and Apple informed that view. In the week before Intel reported, Apple raised the MacBook Neo's price and halved its student discount, citing the memory shortage. If Apple was passing memory costs on to students, what did that say about everyone else? To us, it said the squeeze had reached the PC. Intel's numbers just had not shown it yet. We felt the market was looking at the wrong quarter. In Q2, desktop CPU shipments fell more than 20 per cent, yet Intel's client revenue rose 13 per cent. That gap — fewer chips shipping but more revenue coming in — could not hold. Revenue can outrun units for a while through higher prices or PC makers stocking up, but not forever. A PC maker building fewer computers eventually orders fewer Intel processors and uses up the chips already sitting in its inventory. That shows up in Intel's guidance before it shows up in its results. Q3 would be fine. The Q4 guidance would not.

The Street did not see it that way. Consensus still wanted about US$17 billion in Q4 revenue, and Intel traded near 60 times annualized Q3 earnings per share (EPS) guidance. At that multiple, a beat is expectation, not surprise. Intel has also traded on its guidance in the past: in January, it fell 17 per cent on weak guidance despite a beat. Add a foundry business still losing billions and an "explosive" incident at Fab 28 in Israel in mid-October, and the setup looked fragile. Fab 28 largely produces Intel's 10nm data centre chips, so the incident put Q4 server supply at risk. Instead of shorting the stock, we opted for puts. Shorting the 20,000 shares the puts covered would have meant about US$1.9 million of exposure, a borrowing cost and no cap on the loss if strong guidance sent Intel higher. The puts capped it at the premium. The catch was time. The US$3.90 was almost entirely time value, priced on the expected earnings move. If Intel held up, implied volatility would collapse after the earnings release, and the puts would expire worthless the next day. We had conviction: if this was going to print, it was going to be fast and big, or we would lose all of it. The Oct. 30 expiry gave the most upside for the same outcome. We wanted to date the stock, not marry it.

Indeed, Q3 beat, but the guidance did not. CEO Lip-Bu Tan warned that memory shortages were forcing PC makers to cut production, and Intel guided Q4 revenue to US$15 billion to US$16 billion, with gross margin falling from 43 per cent to 37.1 per cent. Memory makers are setting the price. Everyone else is paying it. On Oct. 30, Intel paid, and the Maritime Fund profited.

Alumni Spotlight



Michael Wilkes

Vice President, Capital Raising

Michael served as president of DALIS in 2013–14 before graduating from Dalhousie University in 2014. He later completed his MBA at Ivey Business School and now leads capital raising efforts across Western Canada for Invico Capital, a Calgary-based alternative investment manager.

1. Can you tell us a little about yourself and how your career has developed since graduating from Dalhousie?

I grew up in Edmonton and arrived at Dalhousie not knowing a soul. I was a kid who grew up on the Prairies and wanted to go to university on the ocean, which in my mind meant UVic or Dal. I opted for Dal and never looked back.

I did three co-ops in three different cities in three different industries. My last one was with an energy services company in Calgary called Ferus. I was fortunate enough to be offered a full-time corporate development position early on during my fourth year, which took the pressure off graduating without employment in sight. It meant I could maximize my fourth year with investing extra time into DALIS, JDC, Movember, etc.

My career has taken many twists and turns since graduating in 2014... it has been far from a straight line. I've tried my hand at different industries, different businesses (i.e. private equity-backed, venture capital-funded, publicly traded and starting my own) and in multiple cities around Canada.

I've now found a great home with Invico Capital, a Calgary-based alternative investment manager. I lead capital raising efforts across Western Canada and hope to be here a long time. I love the team and genuinely believe in the company's investment strategies and leadership. Being back in the capital markets has been invigorating and I've found myself drawing on the early foundation built listening to Rick's rants, spending time in the Bloomberg Lab at the Rowe and all the great memories with DALIS.

If there's one thing I've learned, it's that a foundational understanding of capital markets will serve you well regardless of where your career takes you. Understanding macroeconomic forces, learning to triangulate information from different sources, developing an educated viewpoint and having the confidence to communicate it are skills that apply to virtually any business or industry.

Moral of the story... use your co-op semesters to try different things. Keep trying things. Use DALIS as a springboard to meet like-minded students, take some risks and stay curious throughout your 20s. You have plenty of time to figure out what you want to do for the rest of your life.

2. You served as president of DALIS in 2013–2014. What was the society like back then, and how did your experience influence your career?

DALIS was started in 2011 by Cam McDonald (who now runs Ace Beverage Group – maker of Cottage Springs). Cam's a very entrepreneurial guy and has always had good intuition in business. He did a great job of getting DALIS off the ground. Then a classmate of ours, Allia Mohamed, ran it for a year and went on to great things in the capital markets. She's since gone on to found a real estate startup in New York City called Openigloo.

Early on, DALIS enjoyed some success but struggled with continuity from one academic year to the next. The real challenge wasn't getting people excited about DALIS for one semester. It was building something that could outlast any one executive team. Its membership was relatively small and mostly consisted of graduating fourth-year students with relatively few to carry the torch in subsequent years. I was asked to take it over and knew that if it was going to be successful, we had to build our membership from the ground up – meaning recruiting first-, second-, third- and fourth-year students so that it could run year-to-year and not drop off during co-op semesters.

I did a bunch of planning over the summer and when we came back to campus in September, I recruited two friends – Jeremy Austin-Evelyn and Kirsten Neuendorff – to help build out our new membership base. Thus, our new executive team was born. We hit the ground running and managed to attract more than 100 members. Not ones to just say they were members, but ones actually willing to put in the work, build and manage the portfolio outside of class hours and represent Dal in external case competitions. Rick believed in us enough to be our faculty champion and provide the much-needed practical insight and war stories from his time on Wall Street.

That year, we convinced the university to let us represent Dalhousie at the Quinnipiac G.A.M.E. Forum in NYC and subsequently brought David Darst, former chief investment strategist at Morgan Stanley Wealth Management, to speak in Halifax. These experiences helped galvanize DALIS within the Rowe and build the momentum the society needed to become sustainable year-to-year. This article was one of the early signals that we were finally gaining credibility within the Rowe.

Many of those who joined in the early days remain close friends, professional connections or simply people I enjoy rooting for from afar: Robert Simmerling, Chris Dubois, Jordan Dim, Adrian Hutcheson, Daphne Wallace, Morgan Caissie, Connor Ross, Emma Steiner, Ally Crapper, Steve Vincelli, Blake Newell, Marshall Porter, among many others.

That's a pretty incredible return on an extracurricular investment.

3. After spending several years in the workforce, you pursued your MBA at Ivey Business School. What motivated that decision, and how has it influenced your career?

There's a long and short version to this story. The long is to be shared over a beer.

The short is that I never wanted to be labelled a "sales guy" that couldn't understand the numbers. It probably was unwarranted and more of a personal insecurity, but I always felt that if the timing was right and I could get into Ivey, I should do it and wouldn't regret it.

It was a lot of work but also incredibly rewarding. Ivey and Dal are different – to each their own. I loved my time at both and would recommend each.

In terms of what I think an MBA does for you, it depends on the program, your willingness to engage inside and outside the classroom and how open you are to challenging preconceived notions about yourself and the world.

MBAs aren't necessarily the golden ticket they once were. They're more of an invitation to broaden your horizons from a business perspective while also taking a step back to better understand yourself. That second part is easy to overlook, particularly when you're around 30 years old and so much in your personal and professional life is evolving around you.

4. Looking back on your career, what is one piece of advice you would give students hoping to break into finance or business today?

Invest in relationships early and don't underestimate how valuable they'll become over time. DALIS gives you a head start because you already have a shared connection with people who will go on to do some pretty interesting things in business.

Reach out to DALIS alumni. Ask questions, learn about their careers and stay in touch. As a society, find ways to build connections and inroads with alumni in the workforce. Most DALIS alumni look back fondly on their time with the society and are happy to give back when the opportunity arises.

Max Barrow, Jack Durno and Nick Francis all reached out to me a decade after I graduated, which I thought was pretty cool. They've each gone on to do great things in the business world and I know they'd be equally willing to help the next generation of DALIS members, if they're not already doing so.

Between first and second year at Dal, I read a book called Never Eat Alone by Keith Ferrazzi. It fundamentally changed how I looked at approaching relationships personally and professionally. I'm not sure how well it's held up over the years but am guessing many of the lessons still apply in today's world.

5. What is your favourite memory from your time at Dalhousie?

In no particular order: Split Crow Saturdays (not sure if this is still a thing...), our DALIS contingent travelling to NYC to listen to Wall Street titans (i.e. David Darst, Guy Adami, Abby Joseph Cohen, Tom Keene, etc.) and touring a live trading floor for the first time with Dal alumni (shoutout Stew Paterson).

JDC Case Competition was also a highlight and I highly recommend getting involved. We had an amazing team that represented Dal well and made a lot of memories along the way. Many are still close friends to this day.

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

My wife would probably say I have too many, but I'll go with a recent one that Friday afternoons between 3 and 5 p.m. are actually a great time to send cold emails to prospective clients. Conventional wisdom says everyone's checked out by then, but I've found pockets of success during that window. Whether it's because people are clearing out their inboxes, aren't jammed in back-to-back meetings or maybe have a cold beer in hand and are more willing to respond, I don't know. Whatever the reason, I've found people seem a little more receptive.

Perhaps this is similar to investing in that sometimes the best time to do something is when everyone else has decided it's a bad time to do it.

October Recap

DALIS x BMO Case Competition

DALIS collaborated with BMO Private Wealth to host an internal case competition. Congratulations to Serena Archambault and Charles McInnes on taking first place!





DALIS x DREA x Peakhill Event

DALIS and the Dalhousie Real Estate Association (DREA) teamed up for their first collaborative event of the year, hosting Peakhill Capital for an Underwriting 101 session and fireside chat.

DALIS Brings Home 2nd Place!

Malcolm Hill and Nathaniel Dixon pitched a long recommendation on Micron Technology (NASDAQ: MU) and won the trading simulation, earning them second place overall at the StFX Investment Summit.





RBCCM x DALIS Event

DALIS teamed up with DMS and DSS to host an RBC Capital Markets panel featuring New York City-based industry professionals Andres Oranges and Eric Aldous.

The Maritime Fund

Portfolio Commentary

LONG/SHORT EQUITIES

October in review

Over the past month, the L/S portfolio rotated out of technology and hedged around earnings catalysts to limit downside as the AI trade came under pressure. After the S&P 500 set a record close on October 6, renewed concern over the cost and payoff of AI spending and a spike in oil prices drove the Nasdaq to its worst month since March 2025. The portfolio returned -1.09 per cent against a benchmark of –0.77 per cent, as high-conviction, short-term trades generated C$1.2 million in realized gains and offset roughly two-thirds of our unrealized losses. Our largest single gain came from puts on Intel ahead of earnings, which returned more than 650 per cent as the stock posted its worst day since 1974. We maintain a cash-to-equity ratio of 50/50, with our long book weighted toward industrials and financials.

Notable positions

Long Eli Lilly (NYSE: LLY), +10.2 per cent
Long General Dynamics (NYSE: GD), +7.7 per cent

Key short: Netflix (NASDAQ: NFLX)

Ahead of third-quarter 2026 earnings we took a short position in NFLX due to slowing growth and heightened platform engagement questions. The company reported its fourth consecutive quarter of declining year-over-year revenue growth, reaching 11.8 per cent, its lowest growth rate in three years. Engagement questions linger as the growth remaining is becoming more and more from price increases. The company cut full-year ad revenue forecast by 10 per cent to roughly $2.7 billion citing a slower-than-expected rollout of ad product capabilities. Ads were meant to be the next growth engine as pricing power fades, so a delay here undercuts the main offset to slowing subscription growth. We exited 50 per cent of our position at a 7.5 per cent gain, and the stock has fallen another three per cent since.

Key long: Kaspi.kz (NASDAQ: KSPI)

We hold a long position in Kaspi, supported by recurring cash flows from its core Kazakhstan business and CEO Mikheil Lomtadze's track record of allocating capital. Its payments, marketplace and fintech businesses are embedded in customers' everyday spending, with its core Kazakhstan operations generating approximately US$2.3 billion in net income in 2025. Management paused dividends in 2025 to fund the US$1.13 billion acquisition of Turkish marketplace Hepsiburada while maintaining profitability, then reinstated the dividend in 2026 and increased it by 18 per cent. We view this as evidence of a disciplined approach to balancing reinvestment with a strong shareholder payout. Looking ahead, Hepsiburada and the addition of Hepsi Bank create an opportunity to replicate Kaspi's integrated shopping, payments and lending model in Turkey, a market more than four times Kazakhstan's size. Execution remains a key risk, but our thesis rests on the cash generation of the established business, with Turkey providing additional long-term growth potential.

Overview

Looking ahead, we remain cautious as inflation continues to keep central banks on

both sides of the border leaning toward tighter policy. Renewed tensions in the Middle East have kept oil prices rising, and we see the risk of high energy costs spilling into broader inflation as a key headwind for equities into year-end. Third-quarter earnings have generally been strong, but growth remains narrowly concentrated in artificial intelligence, and the recent volatility in tech stocks reflects building concern around the returns on that spending. In this environment, we expect earnings rather than valuation expansion to drive returns, making stock selection increasingly important.

GLOBAL MACRO STRATEGY

We run the book with leverage across several positions. The largest is Telesat Canada's 5.625 per cent senior secured notes maturing December 6, 2026. We paid for it by borrowing and selling CHF 55 million of Swiss Confederation 4 per cent 2028 bonds. The short costs about its 0.2 per cent yield plus a borrowing fee, because the 4 per cent coupon is largely offset as the bond's 105.45 price falls toward par. In Europe we hold EUR covered-bond pairs, including long Münchener Hypothekenbank 02/31 against short Aareal Bank 02/31, to profit from continued stress in German commercial real estate. Our convertible book leans toward technology and energy: SNOW, ATEN, CMS, ATRO, IREN (two issues), ALM and KEEL. Another C$12.2 million is in higher-coupon credit: McDermott, MDA and Tenaz. Finally, we are long BYD bonds and short BMW and VW bonds. Our view is that competition will keep hurting the mid to high-end German car market.

CORRA trade: With more than one per cent of rate hikes priced into the Canadian overnight index swap (OIS) curve over the next year, we went long 25,000 DV01 CORRAU7s (September 2027). We believe the central bank will shift toward a hawkish policy stance, but don't believe it will necessarily follow the same path as the Federal Reserve. With unemployment stabilizing near 6.5 per cent and inflation beginning to tick up past 3.1 per cent we realize that tightening rates further may have undue consequences on broader growth as observed in the Oct. 30 GDP print.

While we are dovish on domestic rates, our view on the Fed is hawkish for the next meeting. With an 80 per cent probability of a rate hike indicated by the U.S. OIS curve, we are short SOFRZ6s (December 2026), expecting a quarter-point hike at the Fed's final meeting this year. We remain based in our view even following the inconclusive rhetoric from Fed Chair Warsh on Friday. We believe with the backing of a resilient labour force, stubborn inflation, and no end in sight to the Iran war that the Fed is likely to observe datapoints in November consistent with a hike.

COMMODITIES

With the Strait of Hormuz closed for the longest time in recent history, oil markets have certainly given our portfolio an exciting start to the semester. With no clear sign of this easing up soon, concerns around broader inflation and potential rate hikes from the Fed are growing. These effects extend beyond crude oil, feeding into higher mining, smelting and transportation costs, which could push metal prices higher. However, this upside may be partially offset by softer industrial demand as elevated energy costs and a higher rate environment weigh on global economic growth.

Meanwhile, the anticipated onset of a strong El Niño event presents additional risks to global agriculture markets, particularly across the Southern Hemisphere. The potential for a "super" El Niño event to cause regional droughts and flooding threatens crop yields, creating the risk of delayed supply shocks across key agricultural commodities. Reflecting broader food-market pressures, The FAO Food Price Index hit its highest level since November 2022 in September, up 5.8 per cent from a year ago. These developments emphasize the growing influence of geopolitical disruptions and climate-driven supply risks on commodity prices.

Given the ongoing volatility across commodity markets, we have diversified across agriculture, energy and metals to reduce concentration risk while capturing opportunities across key commodity markets. Our positioning includes longer-term crude oil options to capture potential supply constraints, coffee exposure amid tightening supply, and a long-term gold position following a pullback to July price levels. Together, these positions aim to capitalize on emerging market opportunities while balancing exposure to geopolitical and macroeconomic uncertainty.

Looking ahead, we are monitoring several emerging commodity catalysts, including rising demand for sugar-based ethanol in India and the potential impact of El Niño on sugar production and supply. We are also tracking U.S. live cattle imports as the scheduled expiration of U.S. President Donald Trump's tariff relief plan in November could create further market uncertainty. Additionally, El Niño-related constraints on Panama Canal shipping capacity may create opportunities across wet and dry bulk freight markets. By following these developments, we aim to deepen our understanding of commodity market dynamics and identify opportunities driven by shifting supply and demand.

BLUENOSE INTELLIGENCE

Bluenose Intelligence is a new team designed to provide analytical insights to guide decisions across all the portfolios within the Maritime Fund. In doing so, we aim to bridge the gap between teams by developing fund-wide financial technology tools. Our first undertaking has been focused on risk management and portfolio optimization, developing risk analysis tools for both individual portfolios and fund-wide.

Developers Jordi Severini and Quinn Edwards are building a model to determine optimal diversification allocation decisions for each fund. Based on minimum variance and the number of independent bets a portfolio contains, the optimizer will compare new trade decisions against an equal-weight portfolio to provide better insight into how a new trade might perform relative to the benchmark.

For fund-wide asset management, developers Ishani Sen and Sabrina Hehar are creating a multivariate Monte Carlo stress testing tool to help identify any weak points through the entire fund. Simulating thousands of potential price paths with stochastic models, it will estimate maximum potential loss and key downside metrics, such as Value at Risk, under extreme conditions like a financial crisis. This will help guide the fund's decision-making and emphasize cross-portfolio collaboration.

Looking to the future, the team will expand upon these ideas, constructing hedging tools and other market data analytic instruments.

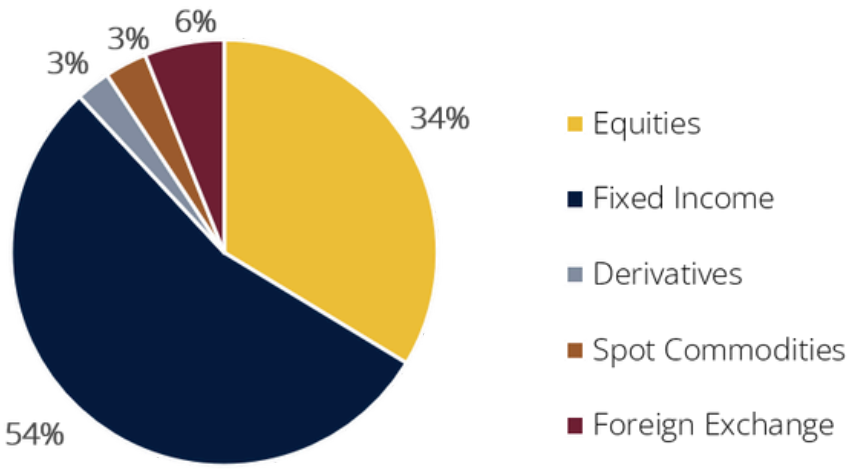
The Maritime Fund

Portfolio Overview

Portfolio	Holdings	Market Value	Change TTD	% TTD	Benchmark
Long/Short Equities	25	$59,201,928	($798,071.6)	(1.33%)	0.08%
Commodities	18	$19,257,287	($742,712.9)	(3.71%)	3.28%
Global Macro Strategy	26	$57,226,965	($2,773,034.8)	(4.62%)	2.44%
Maritime Fund	**69**	**$135,686,181**	**($4,313,819.2)**	**(3.08%)**	**1.55%**

Top 10 Gross Holdings	
1.	TELSAT 5 ⅝ 12/06/26
2.	PBBGR 2 ¾ 01/29/30
3.	MUNHYP 2 ⅝ 02/03/31
4.	SNOW 0 10/15/31
5.	MCDIF 10 ½ 07/16/31
6.	MDACN 6 ½ 08/05/33
7.	BYDCOL 1.72 05/08/29
8.	CAD/PHP
9.	MICRON TECHNOLOGY INC (LONG)
10.	ATEN 2 ¾ 04/01/30

Gross Allocation by Instrument



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The Maritime Fund

Consolidated Balance Sheet

Statement of Assets and Liabilities (CAD) as at October 31, 2026

	Commodities	Global Macro	Long Short	Total Oct 31, 2026	Total Sep 30, 2026
Assets					
Cash	$17,267,727.40	$13,721,565.90	$34,605,924.56	**$65,595,217.86**	$136,989,453.92
Bonds held, at fair value	–	$265,581,116.12	–	**$265,581,116.12**	–
Equities held, at fair value	–	–	$28,020,865.63	**$28,020,865.63**	$3,010,546.08
Commodities (aluminum, gold), at fair value	$2,330,927.07	–	–	**$2,330,927.07**	–
Options purchased, at fair value	$1,390,232.67	–	$2,552,029.04	**$3,942,261.71**	–
Futures, at fair value – gains	–	–	–	–	–
Foreign currency (PHP), at fair value	–	$4,384,000.00	–	**$4,384,000.00**	–
Other receivables	–	–	–	–	–
Total assets	**$20,988,887.14**	**$283,686,682.02**	**$65,178,819.23**	**$369,854,388.39**	**$140,000,000.00**
Liabilities					
Bonds sold short, at fair value	–	$226,164,231.55	–	**$226,164,231.55**	–
Equities sold short, at fair value	–	–	$3,628,289.05	**$3,628,289.05**	–
Options written, at fair value	$1,682,645.78	–	$2,348,601.75	**$4,031,247.53**	–
Futures, at fair value – losses	$48,954.21	$295,485.26	–	**$344,439.47**	–
Due to broker	–	–	–	–	–
Accrued expenses	–	–	–	–	–
Total liabilities	**$1,731,599.99**	**$226,459,716.81**	**$5,976,890.80**	**$234,168,207.60**	–
Net assets (NAV)					
Capital contributed	$20,000,000.00	$60,000,000.00	$60,000,000.00	**$140,000,000.00**	$140,000,000.00
Capital withdrawals	–	–	–	–	–
Accumulated earnings since inception	($742,712.85)	($2,773,034.79)	($798,071.57)	**($4,313,819.21)**	–
Total net assets (NAV)	**$19,257,287.15**	**$57,226,965.21**	**$59,201,928.43**	**$135,686,180.79**	**$140,000,000.00**
Total liabilities and net assets	**$20,988,887.14**	**$283,686,682.02**	**$65,178,819.23**	**$369,854,388.39**	**$140,000,000.00**
Share of fund NAV	14.19%	42.18%	43.63%	**100.00%**	

Notes: 1. No balances between portfolios (no intercompany items), so the consolidation is a straight sum.

2. Futures and the PHP position are carried at fair value; the futures contract value is shown as a memo on the Consolidated Holdings sheet.

3. Global Macro capital is CAD 60,000,000; the CAD 71,000 Bloomberg cash entry on Oct 2 is not capital and is excluded.

The GPU blue book

Dylen Keel - Senior Analyst, Global Macro
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It's in our nature to seek out the best deals we can get when making purchases. But without a reference point for market value, we often walk away feeling dissatisfied with a deal's outcome. From rice forward contracts in 17th-century Japan to the introduction of the Kelley Blue Book in the 1920s, financial markets have long relied on common reference points to help buyers and sellers assess prices. Now, CME Group and Silicon Data are trying to innovate in the growing but decentralized GPU compute market.

What CME and Silicon built

CME Group and Silicon Data have collaborated to develop two proposed futures contracts based on GPU compute benchmark indices, one for each GPU model. The contracts are based on the index benchmarks created by Silicon Data, priced off the going hourly rate for Nvidia's H100 and B200 GPUs from neocloud providers, and sold on the CME. The benchmark methodology Silicon uses revolves around collecting rental prices from neoclouds and marketplaces, then adjusting them for rental terms and location.

These contracts are set to be listed for up to 36 months, with each contract unit representing 730 GPU hours (one month's worth) at a value of $7.30 per $0.01 move in the underlying price.

But what does any of that mean? Say a company rents GPU compute power from a neocloud provider. They'll be able to see the market's expected price for a month's worth of GPU compute at a specified future date. For every one-cent change in the hourly benchmark price, the value of the 730-hour contract changes by $7.30. The contract is purely cash-settled, so a company won't actually be delivered a month's worth of compute; rather, they'll have their own Kelley Blue Book to rely on.

The applications of this new market are extensive: retail traders get a couple of new toys, companies have a rate they can anchor around in negotiations with neocloud compute providers, and (what I find most intriguing) companies could use these contracts for potential hedging strategies. Once available, these contracts could offer companies building their own private large language models (LLMs) a more direct way to hedge their exposure to computing costs. It'll be interesting to see who the dominant participants in this market are and how they leverage these contracts over time.

Why now: AI spending

Projections suggest roughly US$2.7 trillion will be spent globally on AI in 2026, up 49.5 per cent year over year, with McKinsey stating that roughly US$6.7 trillion will need to be spent on data centre infrastructure to match demand by 2030. With the growing expenditures in the AI market, CME and Silicon aren't the only ones pushing for these contracts. Kalshi is also gearing up to provide a platform to access this market, with its CEO optimistically stating that the derivatives market on computing power could reach US$5 trillion over the next two years. With little sign of slowing down, it seems like we're only in the top of the fourth (for my fellow baseball fans) in terms of where AI, infrastructure and computing power are going. Something important to note is that these contracts should drive fairness and competition in the GPU rental market and serve as the reference point going forward.

Index performance

In terms of how the indices have moved over the last month: from Oct. 5 to 31, the H100 index appreciated 3.92 per cent, sitting at $2.92 per hour of GPU use, while the B200 index appreciated 13.12 per cent, finishing the month at $6.64 according to Silicon Data. If a company was concerned about month-over-month hourly rates rising, a long position in the proposed futures contracts could have helped offset some of the increased rental costs for its GPU compute operations.

Despite the potential of these contracts, their launch has been delayed by regulatory review. The contracts were expected to launch Oct. 5, but that date has since been pushed back. If D.C. approves these new derivatives contracts, CME and Silicon's collaboration will help build a more centralized market for GPU compute. With that, expect more buzz and coverage as the market moves closer to approval.

The emergence of Canada's LNG investment landscape

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On Sept. 29, 2026, a final investment decision (FID) was announced on LNG Canada's $33-billion Phase 2 expansion of an existing liquefied natural gas (LNG) terminal in Kitimat, B.C. The long-awaited decision — approved by a consortium led by Shell, with PETRONAS, PetroChina, Mitsubishi and KOGAS as other major stakeholders — represents an exciting doubling of Kitimat's LNG output from 14 to 28 million tonnes per annum (mtpa) and follows a slew of similar large-scale energy project announcements in Canada this year (TMC's West Coast Pipeline, Ksi Lisims, Churchill Falls/Gull Island, etc.). These projects reflect Prime Minister Mark Carney's efforts to diversify Canada's energy sector, a core objective of his government.

Considering its historical track record, Canada's renewed

enthusiasm for major energy infrastructure represents a marked change in the investment landscape. This shift reflects the convergence of several factors: geopolitical pressures, growing international energy demand, shifting political sentiments and government efforts to address historical barriers to investment. More than anything else, though, it is an increasingly viable financial opportunity.

Geopolitical and domestic factors

Canada's unpredictable trade relations with, and dependence on, the U.S. are a primary catalyst behind Carney's efforts to pursue other international markets for Canadian energy resources, as concentration risk in the American market leaves Canadian producers heavily exposed to U.S. market conditions.

Furthermore, geopolitical conflicts like the Iran and Russia-Ukraine wars — more on these later — have exacerbated these conditions. As a result, energy security in Canada is shifting from a partisan debate to a matter of pragmatic importance as Canadians adjust to swelling uncertainty.

The Russia-Ukraine war has been particularly consequential in Europe as collapsing gas exports have resulted in significant structural shifts across the continent's energy supply chain. Out of necessity, European countries are diversifying away from Russia as a source of their energy; this appetite for new markets has opened the door for Canadian LNG, with Uniper, Shell, TotalEnergies and Santos signing SPA and HOA agreements with Canadian projects in 2026. In the Persian Gulf, Qatar — a major LNG exporter with 77 mtpa of liquefaction capacity — has been significantly impacted by the Iran war, with a roughly 20 per cent disruption to the global LNG supply. Regardless, supply constraints in the Persian Gulf have highlighted both the vulnerability of geographic chokepoints (i.e., the Strait of Hormuz and the Panama Canal) and the cost of transportation (i.e., skyrocketing tanker fuel prices and longer trade routes).

Financial case

Shell has identified the combination of low-cost Montney gas production and Pacific coast shipping advantages as key to offsetting otherwise high project costs in Canada. Furthermore, Pacific shipping provides Canada with access to international LNG pricing, an advantage buttressed by Carney's push for West Coast pipeline projects.

According to Shell's 2026 LNG Outlook, global LNG demand is expected to rise by 60 per cent by 2040, with trade largely locked under long-term SPA contracts. As LNG projects have long operating timelines — typically contracting over 15- to 20-year periods — investment today tracks the forecasted timeline, particularly as Canadian projects are expected to come online in the 2030s. As such, despite an anticipated LNG supply glut in the next few years (roughly 2028-2030), West Coast LNG projects can expect to inherit a post-glut market with IRRs above integrated gas hurdle rates.

Risks and caveats

Of course, the opportunity has its caveats. To date, Shell alone has produced guidance on LNG Canada Phase 2 returns, and it reflects an almost mandated level of optimism hitherto required for investment in a large-scale LNG project. Detractors likewise point to historical cost overruns and execution challenges as limiting factors — few Canadian LNG projects have reached an advanced stage of completion without going over budget, sometimes dramatically (e.g., Coastal GasLink).

These caveats notwithstanding, global LNG oversupply is perhaps the biggest risk to Canadian LNG. The IEA estimates that more than 330 billion cubic metres per year of new LNG export capacity is expected to come online between 2025 and 2030, the largest wave of global LNG capacity additions in history. Analysts suggest that increased supply could compress spot prices, reduce profitability and curtail the capacity utilization of new export terminals, these being highly capital-intensive and contingent on long-term LNG contract prices. While geopolitical disruptions have impacted LNG expansion in the Persian Gulf, the IEEFA suggests that the anticipated supply glut is merely delayed.

Ultimately, the Canadian LNG opportunity is still compelling. I would suggest that Canada's structural advantages provide a strong hedge against future geopolitical disruptions. LNG Canada's Phase 2 FID is an important vote of confidence in our country's potential as a major LNG exporter. How that confidence unfolds remains to be seen.

The sovereign spillover: How France's debt problem affects everyday borrowing costs

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Debt and the modern nation-state

The modern nation-state was built on the ability to borrow. From financing wars and military conflict to developing public institutions, access to sovereign debt markets has long enabled governments to mobilize capital well beyond their current fiscal capacity. The Bank of England, for example, was established in 1694 to raise £1.2 million to help finance England's involvement in the Nine Years' War against France. However, more than three centuries later, France itself offers a cautionary tale of the risks associated with government borrowing.

France is known internationally for its robust welfare system, encompassing universal health care, public pensions and unemployment benefits. In 2024, spending on social benefits

represented approximately 31.9 per cent of French GDP compared to the 27.3 per cent EU average. Alongside these fiscal commitments, the nation's public debt is projected to reach 118.5 per cent of GDP in 2026, with a fiscal deficit of roughly 5.2 per cent of GDP. However, the real growing concern is not simply the size of France's debt but the increasing cost of financing it.

France's sovereign debt problem: Carrying an increasingly burdensome load

France's persistent deficits and rising debt-to-GDP ratio have increased uncertainty about its ability to stabilize public finances. During the pandemic, historically low interest rates and ECB bond purchases allowed France to finance substantial deficits at record-low borrowing costs. However, this environment has reversed, as inflation and subsequent monetary tightening have increased borrowing costs, while domestic and global political instability have placed additional pressure on French government bonds, widening the spread between French OATs and German Bunds. While rising sovereign yields have made headlines, the implications of this extend well beyond government finances. France thus offers a cautionary tale of how a sovereign debt problem can become an economy-wide credit problem, with the financial burden ultimately extending to banks, businesses and everyday consumers.

From sovereign risk to corporate credit: A vicious cycle

The relationship between sovereign and corporate debt markets is closely intertwined. As investors demand higher yields on French government bonds, these pressures can spill into the broader financial system through what economists call the sovereign-bank nexus. Defined as a feedback loop between a country's sovereign debt and its domestic banking sector, this mechanism can expose French banks such as Société Générale, BNP Paribas and Crédit Agricole to higher financing costs as investors demand greater compensation for broader concerns about a nation's credit risk. Evidence of these financing pressures is already emerging across French credit markets. According to the Banque de France, 58 per cent of mid-sized enterprises reported rising borrowing costs in the third quarter of 2026. Meanwhile, the average interest rate on newly issued corporate debt securities rose by 61 basis points, from 3.26 per cent in August 2025 to 3.87 per cent in August 2026. While not solely driven by sovereign risk, these figures highlight the growing pressures facing French businesses.

From corporate balance sheets to consumers

The consequences of tightening credit conditions ultimately extend to ordinary households. As businesses devote a greater amount of their free cash flows to debt servicing costs, less capital remains available for investment, hiring and wage growth. Meanwhile, higher bank funding costs also often translate into more expensive household borrowing. Housing loans are closely tied to sovereign risk, with the Banque de France reporting a 24-basis-point increase in mortgage interest rates since August 2026. Perhaps the most concerning part of all of this is the potential for a self-reinforcing cycle. Weaker corporate investment and household consumption could constrain economic growth and government tax revenues and further complicate France's fiscal position, driving sovereign risk premiums even higher.

Beyond France

France's predicament offers a broader cautionary tale for the heavily indebted Western world. As governments grapple with rising debt servicing costs and struggle to generate the growth required to manage them, the interconnected nature of global financial markets creates the risk of a spillover effect beyond national borders. While a sovereign debt crisis is far from inevitable, France illustrates how fiscal instability can gradually evolve into a much broader economic problem, seemingly unaddressable by an increasingly polarized political environment unwilling to make tough fiscal decisions.

The modern nation-state was built on its ability to borrow. Yet France serves as a reminder that the ultimate cost of sovereign debt rarely falls on governments alone, but also on the businesses and households that depend on them.

Cold assets: Why the Arctic is Capital's next frontier

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Why the Arctic now?

Every major buildout runs on a supply chain. The AI boom runs on data centres. The energy transition runs on EV motors and wind turbines. The defence buildup runs on missiles, drones and fighter jets. Nearly all of them depend on rare earth elements, which are used to produce powerful permanent magnets. These magnets are essential components in electric motors, wind turbines and guided missiles.

China makes 94 per cent of them.

That monopoly became an issue in April 2025, when Beijing began requiring licences to export seven rare earth elements and magnet materials. Carmakers in the U.S. and Europe cut production or temporarily shut factories, and European prices climbed to as much as six times Chinese levels. Beijing later paused a second, broader round of controls as part of a trade truce with Washington, but the April licensing rules are still in force. The problem hasn't gone away.

Rare earth metals are only the most poignant example. China is the leading refiner of 19 of the 20 strategic minerals tracked by the International Energy Agency, with an average market share of

around 70 per cent. Reducing that dependence means finding new supply.

So, the West is looking north, and the melting ice is making that possible. In September, Arctic sea ice shrinks to its smallest point of the year. This year, that low came out to 1.62 million square kilometres below its 1981-2010 average, a gap about the same size as Alaska, and the 20 lowest minimums on record have all come in the last 20 years. Every summer, more of the Arctic becomes reachable: more coastline to build on, more seabed to explore, more weeks in which ships could transit.

That opens up two things markets care about: resources the West can't easily source outside China and a shorter trade route around some of the world's most strained bottlenecks. The shipping shortcut is still years away: Russia's Northern Sea Route can cut the distance between northwest Europe and northeast Asia by about 40 per cent compared with the Suez Canal route, but it saw only about 100 transit voyages in 2025, fewer than the Suez handled in a single week this summer. The resource opportunity is where capital is flowing now, and governments are already moving to claim it. On Sept. 22, the U.S. signed a security pact with Denmark and Greenland that effectively gives Washington a veto over Chinese investment in Greenland's mines.

Where Greenland comes in

A warmer Arctic means longer working seasons and easier shipping to remote sites. That matters most in Greenland, which holds some of the world's largest undeveloped rare earth deposits. Two of them, Tanbreez and Kvanefjeld, rank among the largest known anywhere, and demand for magnet rare earths outside China is projected to rise 50 per cent by 2035.

Capital has already noticed. When a Chinese buyer circled Tanbreez, U.S. officials lobbied its owner to sell to a Western developer instead. The eventual buyer, Nasdaq-listed Critical Metals Corp., then secured a letter of interest for a US$120-million, 15-year loan from the U.S. Export-Import Bank, covering nearly half the project's estimated cost.

The Sept. 22 agreement would turn that kind of intervention into policy. Beyond adding two new U.S. bases, its key provision for markets is the investment fence: investors from outside NATO, its partner countries and the EU would need unanimous approval from the U.S., Denmark and Greenland before gaining control or significant influence in sensitive sectors like mining and infrastructure. The rule has no end date and would carry over if Greenland ever becomes independent from Denmark.

In practice, a Chinese bid to acquire control or significant influence over a Greenlandic mine would need sign-off from Washington, Copenhagen and Nuuk. For Chinese buyers, the door is all but closed. For Western miners, lenders and development banks, the pool of competitors just got smaller and the rules got clearer.

Still, this is not a gold rush. Kvanefjeld has been stalled since Greenland banned mining of uranium-rich deposits in 2021, and even with less ice, Arctic projects face short building seasons, thin infrastructure and long lead times. Ownership isn't always settled either: five coastal states have overlapping claims to the Arctic seabed under the UN Convention on the Law of the Sea, a treaty the U.S. has, interestingly, never ratified. There is a real opportunity, but the timeline is measured in years and decades, not quarters.

Canada's stake

Canada's North is opening up too, and the capital is already there. Agnico Eagle's gold mines generate roughly a quarter of Nunavut's GDP. In May, the company approved Hope Bay, a US$2.4-billion mine in western Nunavut due to start producing in 2030. The bottleneck is infrastructure: Nunavut still has no all-season road to the rest of Canada, so every new mine has to build its own way in and out.

The proposed Grays Bay Road and Port is meant to change that. The 230-kilometre road and deep-water port on the Arctic coast, backed by the Kitikmeot Inuit Association, would open an export route for the region's copper and zinc, eventually connecting Nunavut to the national highway system. Ottawa referred the project to its new Major Projects Office in March and committed up to $50 million for early work. It has also established a $2-billion Critical Minerals Accelerator that can take equity stakes, guarantee loans and sign offtake agreements.

The risks are as much political as physical: Canada and the U.S. still disagree over the status of the Northwest Passage and a roughly 21,000-square-kilometre wedge of the Beaufort Sea with oil and gas potential. On the other side of the ledger, Canada has pledged to spend five per cent of GDP on defence and related infrastructure by 2035, which means more of the North's roads, ports and runways will be publicly funded.

Where I think this goes

In my view, the investment fence matters more than the bases. Fencing Chinese capital out of Greenland also removes the easiest buyer for Western projects, which pushes Western miners to do more of the work themselves. I expect more of them to move down the supply chain, from digging rare earths out of the ground to processing them and making magnets. MP Materials, America's largest rare earth producer, is already doing it. In July 2025, the Pentagon took a roughly 15 per cent stake in the company and agreed to buy all of the output from its new U.S. magnet plant, and MP's shares jumped about 50 per cent on the news. Over time, moves like that should steadily reduce the West's dependence on Chinese imports.

The bigger shift may be in how the West thinks about mining. For decades, it was comfortable letting others do the digging. That is starting to change. Washington revived an Alaskan mining road it had previously blocked and took a 10 per cent stake in Trilogy

Metals, the Vancouver-based company developing copper and zinc projects along it, and Trilogy's stock soared more than 200 per cent. Ottawa has built an office to speed up projects like Grays Bay. It won't be smooth, and Greenland's own uranium ban is a reminder that local opposition doesn't disappear just because a mineral becomes strategic. But mining critical resources on Western soil, rather than relying on others, is becoming a mainstream idea again.

From Russia, with less: Why U.S. Gulf barrels are filling Brazil's diesel gap

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Since 2023, Russia has supplied much of Brazil's diesel imports at a roughly 10-cent-per-gallon discount to U.S. Gulf Coast barrels. In June, Russian cargoes made up roughly 60 per cent of Brazil's approximately 210,000 barrels per day of seaborne imports; by September, that was zero, with the U.S. supplying around 80 per cent of imports in its place.

Brazil can't simply import less; the country produces roughly 70 per cent of its diesel consumption, with the remaining 30 per cent filled primarily by seaborne imports. In the wake of the elevated price environment from the U.S.-Iran war, domestic refiners have been running near, if not above, nameplate capacity. With planting season underway, imports are the true swing supply, and planned maintenance at Petrobras' Repar refinery, including its diesel hydrotreaters, and at Replan only adds to the shortfall.

The Russia shock

In July, Ukraine's drone campaign against Russia's energy infrastructure forced Moscow to ban diesel exports to protect domestic supply. On Oct. 9, the U.S. waived sanctions on Russian diesel through April 2027 in exchange for U.S. deliveries; this sanctions relief and a hike in Russia's diesel export quota to two million tonnes in November should reopen global flows.

Moscow claimed refinery runs began to recover during the two-week pause brought about by U.S. President Donald Trump's attempted energy ceasefire, with production ramping from 160,000 tonnes per day in early October to 225,000 tonnes per day by month's end. As of Oct. 30, that pause is over: Ukraine's campaign has restarted, hitting three refineries, including the Novokuibyshevsk refinery's diesel hydrotreater. The extra Russian barrels the market was counting on through late November into December now look far less certain.

At the back of the queue

Brazil takes the cheapest barrel it can get: while Russian barrels flowed, they offered a substantial discount to U.S. Gulf Coast cargoes, and Brazil took up as large a share as it could. With Russia gone, the Gulf Coast has become the price setter, driving Brazil's delivered premium higher on import demand that barely flexes, particularly with diesel subsidies keeping prices from passing the full cost through to Brazilian consumers.

With a roughly three-week trip from Primorsk, Russian barrels for much of November are already at sea, which could soften Brazil's premium in the short run; a squeeze is likely further out, as continued strikes would put cargoes for delivery in late November and December at risk. Moscow's priorities will only sharpen this squeeze: domestic supply comes first, followed by exports to its close neighbours and the U.S. deal, so Brazil gets only a fraction of the leftovers, which could shrink to zero if strikes continue.

The Gulf Coast fills the gap

The U.S. Gulf is Brazil's natural backstop. Tankers from Houston reach Itaqui in about 11 days and Santos in about 17, several days faster than any Russian cargo. With Ukraine likely to continue strikes, any near-term softness in demand for U.S. Gulf barrels should reverse sharply, with heightened demand for prompt cargoes once Russian barrels fail to show. The knock-on effects are wider: a shortfall in Brazil tightens the whole Atlantic diesel market, and with the U.S.-Europe arb already shut on high freight costs, higher U.S. prices would keep it closed, leaving Brazil as a natural outlet for U.S. Gulf barrels. The view breaks only if Ukraine's strikes pause long enough for refinery runs to recover, or Hormuz reopens for business as usual.



Rick's Rant

Case Comp Season

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It is that time of year again, when students get settled into the routine of the semester and the panic of semester-end deadlines and exams is still a thing of the distant future. It is also the time when case competitions heat up – taking advantage of the aforementioned lull before year-end panic.

I have been a judge at many competitions and have coached teams in a wide variety of case competitions. When judging a competition, I am always amused by the diversity of my fellow judges in what they characterize as good performance. One judge will score Team X first and Team Y last, while a different judge will have the order reversed. For one case competition that I organized, I actually went back to the judges before announcing the results to make sure that they did not mix the teams up – I was simply that flabbergasted at the rankings they had for the teams.

Case competitions are a lot like the financial markets. What you think is a winner of an investment may turn out to be a real stinker. Likewise, what you think is a dud may turn out to be the market's darling. One just never knows. Of course, this is the basis of the Keynesian beauty contest, where Keynes postulated that investing was like judging a beauty contest. Your role as a judge in the beauty contest, though, was not to judge who you thought was the best-looking contestant, but whom you thought the other judges would select as the best-looking contestant.

This somewhat non-intuitive reality makes investing difficult. It also makes advising a case competition team difficult. There are some general guidelines that you can always give students: have a polished presentation, have lots of appendices, have a central thesis or concept, curate your ideas as less is more, don't memorize your presentation but react to how the judges are reacting, be passionate about your presentation and smile. Mastering the general guidelines will more or less ensure you do well in a case competition, but they are definitely not enough to guarantee a top-three finish. For that, you need to make a strategic decision; a decision that most teams struggle with implementing.

If you want to win, or at least place in the top three in a case competition, you need to decide if you would rather give yourself a high probability of doing well, but not winning, or if you would prefer to go for the win, but with a high probability of finishing last or near last. You have to decide whether to go for the boom and risk the bust, or simply try to finish well and do better than average. To win, you need to be different, and given the variability of what individual judges are looking for, being different could be a strong positive – leading to a win – or being different could be perceived in the eyes of the judges as a strong negative, leading to a last- or near-last-place finish.

When I coach teams and I bring this up, virtually every team I have coached has almost immediately and unanimously said that they were willing to finish last if it gave them a shot at finishing first. When it comes to the heat of the competition, that resolve frequently melts quickly. Not embarrassing yourself comes to the fore, and winning, although still highly desirable as an objective, tends to become secondary. Claiming you are willing to risk losing badly to have a shot at winning is much easier said than done. It takes courage, self-esteem and perhaps a bit of built-in weirdness to be willing to look like an idiot if things do not go as planned. It is easier to blend in with the crowd.

Financial investing is a lot like case competitions. There are a few general guidelines that more or less will lead to you having decent results. However, if you truly want to outperform, you must do something different. If you truly want to outperform, you have to risk underperforming. Easier said than done.

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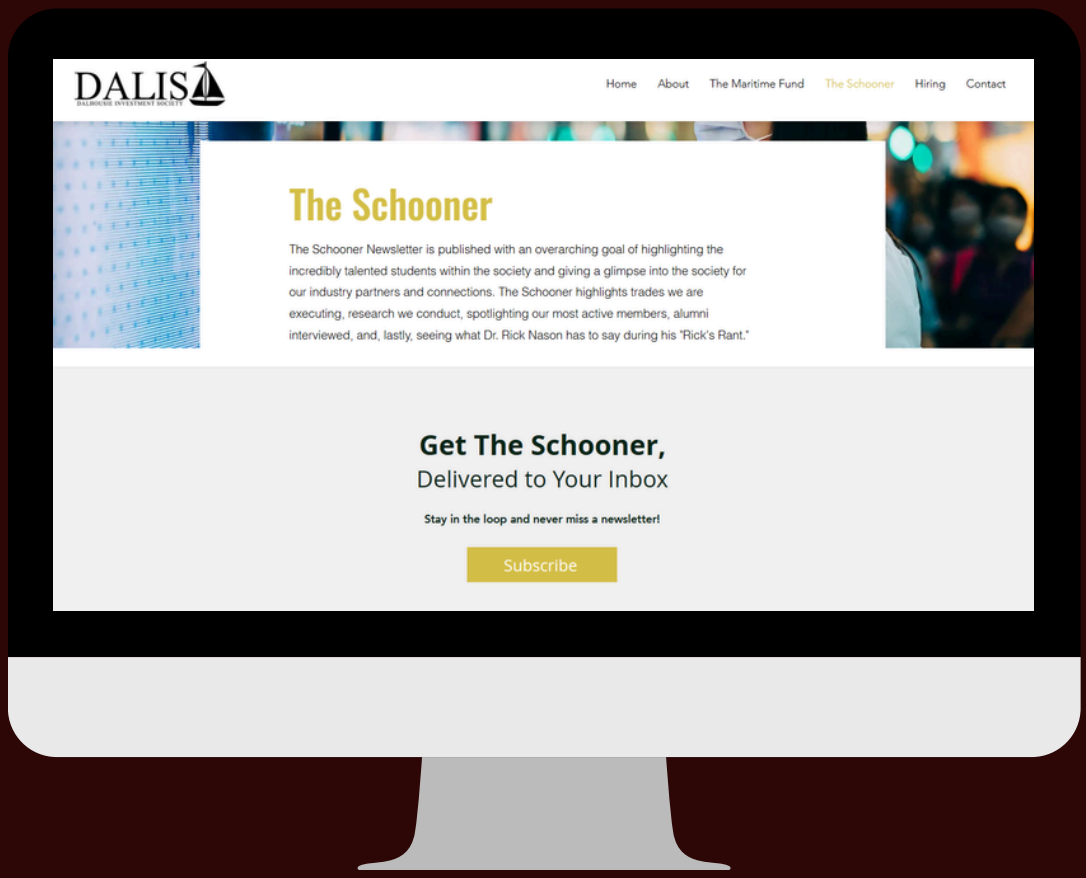

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