



Wealth Management  
Dominion Securities

Ord Private Wealth Management



## Update On Your Discretionary Portfolio

### Locking in some profits on recent AI winners

February 27, 2023

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Dear clients,

The beginning of 2023 has seen a much more positive start to a year than we saw in 2022, even with February recently giving back some of the larger gains from January. We wanted to provide you with a quick update on decisions made in the portfolio that aim to take advantage of recent strength. The stock price of some companies in the model have outperformed significantly since our semi-annual rebalance in early January. As part of our disciplined process, we have been trimming some of those positions and locking in profits. We have also added made a couple new companies to our Canadian equity model in recent weeks. Please see details below.

You have likely heard a lot about artificial intelligence (or AI) in recent weeks. The AI-powered ChatGPT application has taken the world by storm, and has been downloaded by more than 100 million users only two months after its launch. We have felt for some time that AI would be a long-term trend that investors should have exposure to, as it has the potential to bring significant change to many industries in the future. As ChatGPT has exploded in popularity, you could see a similar reaction in the stock prices of companies related to the AI boom:

Nvidia (NVDA) is a company that we have owned for some time in the model, and they are responsible for producing the vast majority of chips required for AI processors. At the end of 2022, the stock price of NVDA was trading at \$146.14. Less than two months later, it had risen substantially over \$200, and the decision was made to trim part of our position and lock in some gains. After Nvidia's strong earnings report on February 22<sup>nd</sup>, the stock price rose an additional 15% the next day. We immediately set up a trade to lock in additional profits for discretionary clients at a price of \$237.71. Although we believe that Nvidia will continue to be a great company to own for the long term, after a 60% gain in less than two months it is only prudent to take some profits as there can potentially be a bit of a correction after such a large short term rise in a stock's price.

Another company in our model that relies on AI for their business is Palo Alto Networks (PANW). This cybersecurity firm uses machine-learning in order to enhance the protection of their security services. Similar to Nvidia, we added Palo Alto roughly two years ago in the model, and had also increased the position size this January at a price of \$136.77. When Palo Alto announced their own solid earnings and forecast on February 21<sup>st</sup>, the stock jumped the following day and we took some profits at that time at \$184.40 (roughly 35% above the recent purchase price). We are currently holding the US\$ proceeds from these two transactions in a cash position (RBC Investment Savings) to earn interest for your portfolio while we await an attractive opportunity.

On the Canadian equity side, we have made two new additions to the model in February. Earlier this month, we added a 2% position of Loblaw (L), which is the top Consumer Staples pick from our analyst

at RBC. Additionally, in the past week we have added a 2% position to CI Financial (CIX). This company is in the midst of planning an IPO of their US wealth management business, and the valuation and dividend look very attractive at the current level. In order to fund these purchases, we have trimmed companies such as WSP Global (WSP) and Alimentation Couche-Tard (ATD), which were both recently trading at 52-week highs. We have also slightly reduced our position size in TC Energy (TRP); Bank of Montreal (BMO); Telus (T) and Restaurant Brands (QSR) this month.

Should there be similar opportunities that arise in the following months, we will continue to follow our process and take advantage when it makes sense. Since you are invested in our discretionary portfolio, these transactions would apply immediately to your accounts the day that the decision is made.

Please feel free to contact us directly if you have any questions.

Best regards,

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