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Off the Cuff Video
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Welcome to another edition of Off the Cuff. My name is Greg Chan, Portfolio Manager at Empire Life Investments. Before I begin, I would like to take this opportunity to thank all the frontline workers. I hope everyone is staying safe and well.

Today, I will be talking about a new holding called Bombardier Recreational Products, or BRP. We initiated a position during the market selloff in early March. We have a long history with this company and BRP was previously held across multiple funds at Empire Life before we exited our position in September 2019 at around \$52 as the stock was approaching our fair value.

BRP manufactures a number of power sports vehicles with a portfolio of brands that include ski doo snowmobiles, sea doo personal watercrafts, Can-Am off-road vehicles and Spyder roadsters.

BRP is a high quality company and has a number of characteristics that we look for at Empire Life. These include a market leadership position, ability to consistently outgrow their peers – which is a good sign of brand strength – they have a strong management team, the business generates high ROIC (Return on Invested Capital), and they have a solid balance sheet.

During the COVID-19 selloff, the stock went from a high of approximately \$70 in early February to a low of about \$20 in late March, which is a decline of 70% from peak to trough. We were an active buyer at this time and were able to chip away at shares for as low as \$21. While the entire market sold off during this time period, BRP was a big outlier as there were fears that we were heading into a recession which has historically severely impacted sales of high priced discretionary products that BRP sells. Fast forward to today, several months later and the stock is up more than 150% from its March low. While fears remain that we are heading into a recession, this pandemic has proven to be different for BRP than previous recessions.

Due to the lockdown, families are foregoing travel and vacations and instead are looking for recreational activities at home. Management recently disclosed that in May and June, their retail sales increased over 35% and that new customers have grown from the historical 20% level to 30%. We are keeping in mind that if we do go into a prolonged recession this will likely impact future sales.

While we typically have a long investment time horizon and we thought our initial thesis would play out over the next year or two, the big V shaped stock rebound was much quicker than we expected and we recently exited our position at around \$45 for a very healthy gain.

Before I end, I am going to highlight a few key takeaways:

1. The big price moves in BRP over the last several months show that sometimes the market doesn't get it right in the short term which benefits active investing.

2. Our long history with BRP and deep understanding of the company allowed us to tactically take advantage of short term market dislocations.
3. Not only are we constantly following all our names in the portfolio and the overall market environment but we have an active list of companies on our watch list that we follow closely and we are patiently waiting for these stocks to hit our buy price.

Thank you very much for your time.

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