

# Pathfinder Investment Outlook

For the week ending June 19<sup>th</sup>, 2020

## Pathfinder Real Fund – Kinaxis Inc.

Since the end of February, we have been focused on writing about “macro”. As discussed in last week’s *Outlook*, macro refers to large broad themes, theses or data points that describe something in aggregate. For example, over the past week, we received much better than expected US Retail Sales data and stocks subsequently rose. There was also growing concern about COVID19 cases in the Southern US, which caused stocks to drop. This is what is typically referred to as “volatility”. While the macro situation impacts all companies, it is investments in individual businesses (i.e. the micro) that actually make up the portfolios at Pathfinder. By focusing on the micro, we have found that not all companies are negatively impacted by these events. For example, there are companies whose business models have made them effectively recession proof and others who actually see accelerated demand for their products as a result of the pandemic. We believe particular disconnects between share price and fundamentals creates the opportunity to invest in good companies at very attractive prices. Over the coming weeks, we will provide an example of this from each of our portfolios.

- Kinaxis Inc** (TSX:KXS) owns RapidResponse, the world’s best software for global supply chain management, KXS leases this software to businesses in exchange for an annual fee. A business’ supply-chain is the network of suppliers it uses to produce and distribute a specific product to a final buyer. These networks have been disrupted by global trade wars, tariffs, and most recently the coronavirus. As manufacturing plants and ports shutdown as a result of the coronavirus, **businesses need to quickly shift their supply-chain** to ensure the supply of their product. This requires technology, and specifically, the world’s fastest technology in identifying opportunities/problems in the supply-chain: RapidResponse. We expect **demand** for KXS’ software to **increase** as a result of this pandemic, a thesis that was supported by KXS first quarter results and outlook.
- Despite this, shares of KXS fell** during March which created the opportunity for us to add to our position. Shares have since doubled off the March lows as market participants have realized KXS is likely worth more as a result of the pandemic.



“**This means that**” KXS is an example of a company we believe was worth much more than it was trading at during the panic in March and April. While volatility is unpleasant from an emotional perspective, it can create outstanding individual investment opportunities.

Michael Rudd, CFA | President, CEO & Portfolio Manager

Christian Anthony, CFA | Portfolio Manager



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Sources: Bloomberg, Pathfinder Asset Management Limited

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\*All returns are time weighted and net of investment management fees. Returns from the Pathfinder Partners' Fund and Pathfinder Real Fund are presented based on the masters series of each fund. The Pathfinder North American Equity Portfolio and The Pathfinder North American Income Portfolio are live accounts. These are actual accounts owned by the Pathfinder Chairman (Equity) and client (High Income) which contain no legacy positions, cash flows or other Pathfinder investment mandates or products. Monthly inception dates for each fund and portfolio are as follows: Pathfinder North American Equity Portfolio (January 2011), Pathfinder North American High-Income Portfolio (October 2012) Pathfinder Partners' Fund (April 2011), Pathfinder Real Fund (April, 2013), and Pathfinder International Fund (November 2014).

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