

**TALL OAK**  
CAPITAL ADVISORS

# 2024 Annual Report

## A MESSAGE FROM



**Dear Clients,**

As we reflect on 2024 and look ahead to the coming year, we want to thank you for your continued trust in Tall Oak Capital Advisors. Your confidence in our team and approach is what drives us to continually evolve, ensuring we are best equipped to provide and execute the financial plan that allows you to reach your goals in life and business.

### **A Year of Growth and Strength**

In 2024, global markets climbed a proverbial wall of worry. Inflation eased, economic growth exceeded expectations, and our investment strategy delivered strong results. Tall Oak moved from a defensive position in 2023 to a more balanced stance, adjusting our public equity holdings accordingly. As a result, the Tall Oak Capital Appreciation Pool and the Tall Oak Diversified Income Pools returned 16.3% and 15.2%, respectively, leading to a 15.7% gross return for a balanced client portfolio.

This year, the Tall Oak Diversified Income Pool was introduced to enhance portfolios for our retirement-focused clients and those with conservative to moderate risk profiles. This strategy prioritizes income-generating securities through investments in dividend-paying equities, fixed income, and income-oriented alternative assets. The Tall Oak Diversified Income Pool currently pays a 3% annual distribution. We are excited about the opportunity this provides in tailoring our investment approach to individual client needs and risk tolerances.

Our commitment to serving our clients also took shape beyond investment performance. We expanded our team to enhance our capabilities and deepen our expertise in areas like investment strategy and advanced wealth planning. With potential upcoming changes in capital gains taxation, the need for a comprehensive financial and estate plan has never been more critical. We have increased our focus on helping clients with corporations' structure their wealth more efficiently, including the strategic use of life insurance within estate planning.



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## Looking Ahead: 2025 and Beyond

As we move into 2025, we remain committed to providing thoughtful, comprehensive advice to guide our clients' wealth, investment, and business growth. Two areas of focus for our team this year include analyzing the Healthcare of Ontario Pension Plan (HOOPP) as an additional retirement planning tool for our physician clients and enhancing our support for clients planning or moving through an enterprise transition process. We've dedicated a section of this report to examining the role of character in family enterprises, which we view as a key consideration when helping our clients successfully execute a transition.

From an investment strategy perspective, we are maintaining a strong allocation to public equities globally, while continuing to emphasize both quality stock selection and downside protection. We also expect to continue to selectively grow our alternative investments within both the Tall Oak Capital Appreciation Pool and the Tall Oak Diversified Income Pool over the coming year.

As always, our primary focus is on you, our clients. Whether it's navigating market opportunities, preparing for tax and estate considerations, or simply ensuring that your financial plan remains on track, we are here to provide clarity and confidence in your wealth journey. Thank you for your continued partnership. We look forward to another year of growth, progress, and success together.

**Sincerely,**



*Shawn Jakupi*

Chief Executive Officer  
& Portfolio Manager



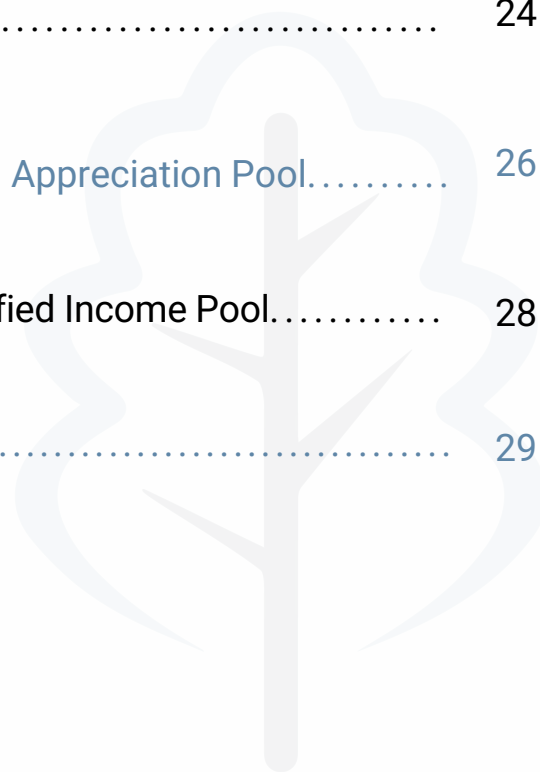
*Mehendi Kamani*

President &  
Portfolio Manager

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# Advisory Highlight

## CHARACTER IN FAMILY ENTERPRISE

At Tall Oak Capital Advisors, we have the privilege of working with business owners and farm families. They have laboured tirelessly for years to build the incredible businesses they have. Transition of these businesses is inevitable; planning for it is invaluable. For some, a transition will be an opportunity to sell, and for others, maintaining the business within the family is the priority. We work with our clients to plan for and to move through these transitions. As we work with these business families, many of which are family enterprises, our approach is rooted in understanding their unique challenges and opportunities, and in supporting them to build legacies that span generations.

Our president and co-founder, Mehendi Kamani, is a friend of Gerard Seijts, Professor of Organizational Behaviour at Ivey Business School and co-author of the recent book *Character: What Contemporary Leaders Can Teach Us About Building a More Just, Prosperous, and Sustainable Future*.



*Character: What Contemporary Leaders Can Teach Us about Building a More Just, Prosperous, and Sustainable Future provides an exceptional opportunity to become a better leader by applying the extraordinary yet down-to-earth insights from the authors' accessible scholarship and interviews with truly distinguished leaders whose lessons on building stronger societies through character-based leadership are moving, powerful, and evergreen.*

Inspired by the insights and frameworks presented in this compelling work, we have applied its principles to the intricate dynamics of family enterprises.

In *Character*, Gerard Seijts and Kimberley Young Milani emphasize that character is not innate but instead, is developed through deliberate effort and life experiences. They present a framework of key dimensions—such as judgment, courage, integrity, accountability, humility, and transcendence—that are essential for effective leadership. The book underscores that strong character enables leaders to make ethical decisions, foster trust, and create a lasting, positive impact on their organizations and society.

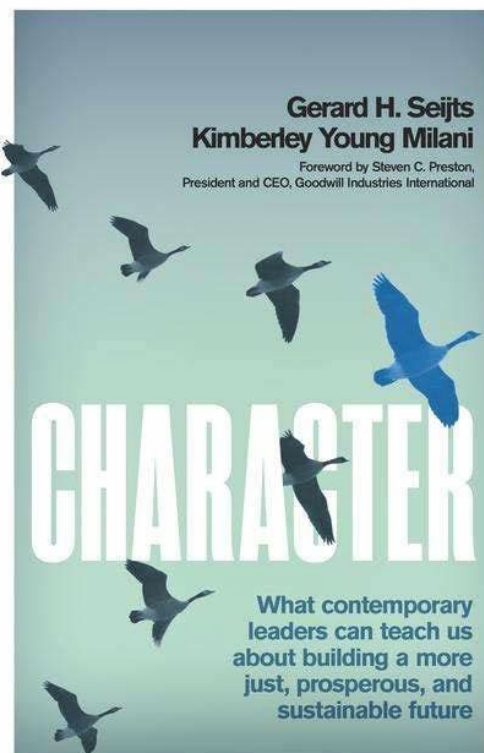
In this article, by integrating some of the lessons from *Character* with our expertise, we highlight how character leadership is particularly essential for navigating the complexities of family businesses. Through this lens, we discuss insights that can help to build lasting legacies while maintaining harmony across family, ownership, and business systems.

## The Importance of Character in Family Enterprises:

Lessons Adapted from Gerard Seijts and Kimberley Young Milani's book *Character*

Character is foundational in any business, but in the unique context of family enterprises, it plays an even more critical role. Family businesses operate within the intersection of personal relationships, ownership structures, and professional responsibilities. These overlapping dynamics amplify the need for leaders to possess strong, well-developed character traits. Furthermore, family enterprises often have an intergenerational focus, prioritizing not just short-term gains but also a legacy of sustainability and success. In this context, character becomes essential not only for present-day decision-making but also for ensuring the long-term health of both the family and the business.

In their compelling book, *Character*, Gerard Seijts and Kimberley Young Milani delve deeply into the concept of character through the lens of leadership. Drawing on over a decade of research and real-life stories from 17 exemplary leaders, the authors illuminate how character shapes judgment, behaviour, and leadership outcomes. In our opinion, their insights are particularly relevant for family enterprises, where the interplay between family and business roles demands consistency of a leader's character traits.



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## Key Learnings from *Character* by Gerard Seijts and Kimberley Young Milani

In *Character*, Seijts and Milani provide a framework for understanding and developing character in leadership. They emphasize that character is not innate; it is built through deliberate practice and shaped by life experiences. The authors highlight several key dimensions of leader character, which are particularly relevant for family enterprises:

### 1. Judgment

Judgment is the central dimension of character. It is the ability to make sound decisions promptly, based on relevant information and a critical analysis of facts. In family enterprises, it plays a crucial role in balancing the interests of the family, the business, and other stakeholders. Leaders with strong judgment demonstrate flexibility when faced with new information or situations, possess an innate sense of the best course of action, and can delve into the core of complex issues. They excel at reasoning effectively, even in uncertain or ambiguous circumstances, ensuring well-informed and strategic decision-making.

### 2. Courage

Courage involves doing the right thing, even when it is difficult or unpopular. Family enterprises often face challenging decisions, such as addressing underperformance by a family member or implementing significant changes to the business. Leaders with courage demonstrate unrelenting determination, confidence, and perseverance in confronting difficult situations.

### 3. Integrity

Integrity is the cornerstone of character. Leaders who hold themselves to high moral standards and behave consistently with their ethical standards, even in difficult situations. In family enterprises, integrity ensures that leaders are seen by others as behaving in a way that is consistent with their personal values and beliefs. Having integrity speaks to behaving consistently with organizational policies and practices.

### 4. Accountability

Accountability involves taking ownership of decisions and actions. Leaders who are willing to step up and take ownership of challenging issues are accountable. They do not blame others for mistakes but instead learn from them. This dimension is particularly important in family enterprises, where accountability strengthens trust and ensures that leaders uphold their commitments.

### 5. Humility

Humility allows leaders to let accomplishments speak for themselves, acknowledges limitations, understands the importance of thoughtful examination of one's own opinions and ideas and embraces opportunities for personal growth and development. In family enterprises, humility fosters collaboration across generations and encourages open dialogue. As Seijts and Milani write, "Learning and growth require humility. Without it, we can slip into arrogance and hubris, mistakenly believing we already have all the answers."

### 6. Transcendence

Transcendence is about maintaining a sense of purpose and drawing inspiration from broader possibilities. Family enterprises that embrace transcendence focus on creating a legacy that extends beyond financial success, contributing to the well-being of the family, the business, and society. By focusing on the future, you want to create for yourself, your family, your team, or your organization, you can identify the learning needed to support both specific goals and broader purposes in your life.



## Why Character Leadership Plays an Even Greater Role in Family Enterprises

A family business encompasses three overlapping spheres: family, ownership, and business. Individuals in family enterprises often occupy roles in more than one of these spheres, such as being both a family member and an owner, or a family member who also works in the business. These overlapping roles can create significant challenges, including conflicts of interest, emotional tensions, and governance complexities. Leaders with strong character are better equipped to navigate these challenges, ensuring harmony across all three spheres.



### 1. Character Across Relationships

Character is the foundation of any successful family enterprise. Leaders with humility and accountability inspire confidence among family members, employees, and stakeholders. In family, character fosters healthy relationships and open communication. In ownership, it ensures that decisions are made with fairness and transparency. In business, this builds credibility with employees, customers, and partners, reinforcing the enterprise's reputation.



Humility helps leaders in family enterprises appreciate diverse perspectives, enabling collaborative decision-making on business strategy. Accountability drives leaders to own their actions and decisions, embracing both successes and challenges.



## 2. Balancing Personal and Professional Roles

One of the most complex aspects of family enterprises is the overlap between personal and professional roles. Leaders often need to make decisions that affect both the family and the business, which can create emotional tension. Strong character traits, such as integrity and judgement, help leaders remain fair and composed, ensuring that their decisions are objective and considerate of the broader implications.

For example, integrity is crucial when navigating sensitive issues like succession planning or family disagreements over ownership stakes. Leaders with good judgement have an implicit sense of the best way to proceed even in uncertain situations. Those who exercise good judgment understand when it is appropriate to encourage collaboration or when to be more direct and assertive.

## 3. Sustaining Intergenerational Legacy

Family enterprises often take a long-term perspective, aiming to preserve the business for future generations. This requires leaders who are not only skilled but also principled. As Seijts and Milani write, “Character is built, ultimately becoming our habit of being.” Leaders with strong character traits, such as courage and transcendence, are more likely to prioritize long-term sustainability over short-term gains. They inspire the next generation to carry forward the family’s values and vision.

Courage empowers leaders in family enterprises to make tough, sometimes unpopular decisions that prioritize the business’s long-term success. Transcendence allows leaders to envision opportunities others may not see, driving innovation and long-term growth strategies.



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## The Lifelong Journey of Character Development

Seijts and Milani emphasize that character is a lifelong journey. It is developed through experiences, reflection, and deliberate practice. They write, “Our character develops through our behaviour within those moments and, through reflection, by wisdom we glean from the lessons those experiences offer us.”

For leaders in family enterprises, this journey is both personal and collective. By cultivating their own character, leaders set an example for others, inspiring family members and employees to embrace values such as integrity, accountability, and courage. As Nobel laureate Maria Ressa, featured in the book, beautifully puts it, “Who you are, and who you are becoming, is a work of art.”

The authors also highlight the importance of fostering character development in others. They ask, “How are you helping others develop their character by not only exploring what they can do but who they are?” In family enterprises, this question is particularly relevant, as leaders have a unique opportunity to shape the character of the next generation, ensuring the continuity of the family’s values and vision.

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## Conclusion

Character is the cornerstone of effective leadership, and its importance is magnified in the context of family enterprises. Family businesses operate at the intersection of personal relationships, ownership structures, and business responsibilities. Leaders with strong character dimensions, such as judgement, humility, transcendence and more, are better equipped to navigate these complexities, ensuring harmony across all spheres.

*Character* by Gerard Seijts and Kimberley Young Milani reminds us that character is not innate. Rather, character is developed through deliberate practice and life experiences. It is a lifelong journey that shapes who we are and how we lead. In family enterprises, character not only drives current success but also fosters a legacy of collaboration and purpose for future generations.



**At Tall Oak Capital Advisors, our focus is on providing tailored financial planning and advisory services to support your family and business in achieving long-term success and sustainability. If you're interested in learning more about our services, please don't hesitate to reach out to your [Tall Oak team](#).**

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# 2024 Market Review

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# Market Review

## ANNUAL RETURNS

| Index or Proxy (Total Return % in Local Currency) | 1 Year | 3 Year<br>(annualized) | 5 Year<br>(annualized) |
|---|--------|------------------------|------------------------|
| <b>EQUITIES</b>                                   | %      | %                      | %                      |
| S&P 500 Index                                     | 25.0   | 8.9                    | 14.5                   |
| Dow Jones Industrial Average                      | 15.0   | 7.6                    | 10.6                   |
| NASDAQ Composite Index                            | 29.6   | 8.1                    | 17.5                   |
| S&P/TSX Composite Index                           | 21.7   | 8.6                    | 11.1                   |
| MSCI All Country World Index (CAD)                | 26.2   | 10.6                   | 12.9                   |
| MSCI EAFE (CAD)                                   | 10.3   | 6.7                    | 7.4                    |
| <b>BONDS</b>                                      |        |                        |                        |
| FTSE Canada Universe Bond Index                   | 4.2    | -0.6                   | 0.8                    |
| ICE U.S. Treasury 20+ Year Bond Index             | -7.7   | -13.3                  | -6.0                   |
| <b>US SECTORS</b>                                 |        |                        |                        |
| Communication Services                            | 40.2   | 9.5                    | 14.6                   |
| Consumer Discretionary                            | 30.1   | 5.3                    | 14.1                   |
| Consumer Staples                                  | 14.9   | 4.7                    | 8.6                    |
| Energy  | 5.7    | 20.0                   | 12.1                   |
| Financials  | 30.6   | 9.4                    | 11.7                   |
| Health Care                                       | 2.6    | 0.9                    | 8.0                    |
| Industrials                                       | 17.5   | 9.5                    | 12.0                   |
| Information Technology                            | 36.6   | 15.7                   | 24.6                   |
| Materials   | -0.1   | -0.4                   | 8.7                    |
| Real Estate                                       | 5.2    | -4.4                   | 4.6                    |
| Utilities   | 23.4   | 5.2                    | 6.6                    |

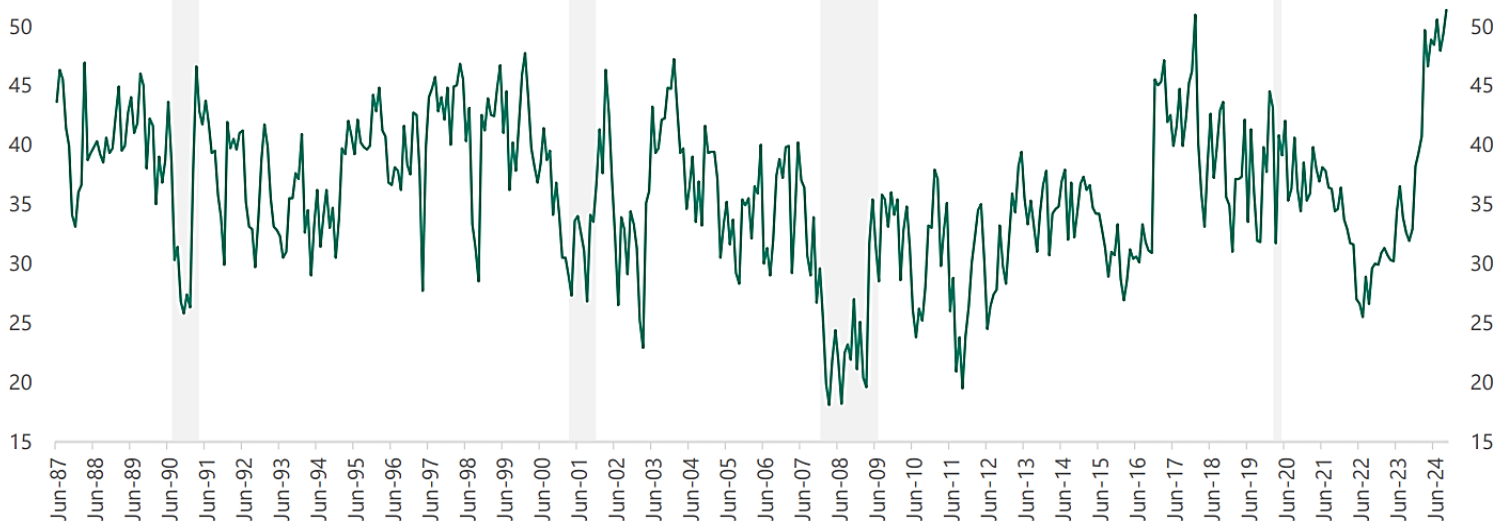
## US Markets

The U.S. economy outperformed expectations in 2024, with real gross domestic product (GDP) growing 2.8% compared to initial forecasts of 1.2%. The unemployment rate ended the year at 4.1%, and payrolls surged in December, suggesting continued labour market strength. Inflation cooled to 2.9%, but this resilience dampened expectations for U.S. Federal Reserve (Fed) interest rate cuts in 2025. Markets now anticipate only two reductions for the year. However, past trends show that market predictions about interest rates often miss the mark.

The S&P 500 rose 25% in 2024, but most of the gains came from higher stock valuations rather than company profits. Corporate earnings grew by 9%, a bit less than the expected 11%, yet stock prices kept climbing. With investor optimism at record levels and stocks trading at 27 times past earnings, we expect future returns to be more modest compared to the strong gains of the past two years.

### A record high 51.4% of Americans think stock prices will move higher

% of Americans think stock prices will move higher



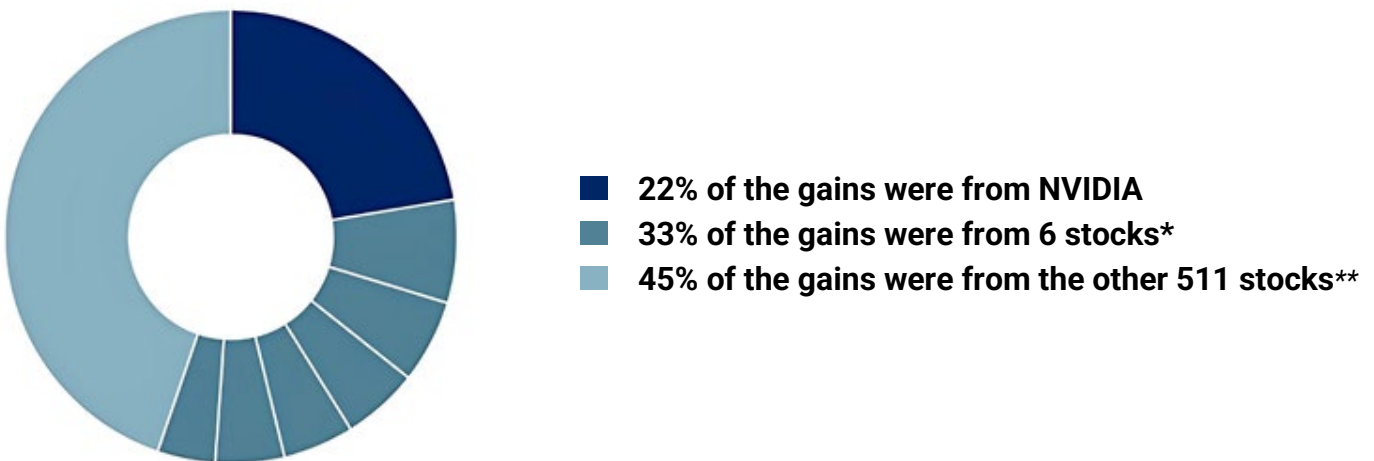
Source: Conference Board, Haver Analytics, Apollo Chief Economist.

## The Magnificent 7 Revisited

Last year, we dedicated a section of our year-end report to the so-called “Magnificent 7”, or the seven largest companies in the S&P 500 (Alphabet, Amazon, Apple, Meta Platforms, Microsoft, NVIDIA, and Tesla) that had contributed a significant amount to the 2023 performance of the wider index. This relative performance gap continued in 2024, with NVIDIA alone accounting for 22% of the S&P 500’s return, and the group as a whole driving over half of that return.

These giants continued to post strong earnings, capitalizing on AI advancements, cloud dominance, and their sheer scale. Investors piled in, pushing valuations higher and keeping them at the center of market action. Concerns about valuations and capital spending remain, but the demonstrated ability to compound free cash flow and generate significant returns on invested capital means that most remain holdings in our portfolios.

### A small group of stocks represented a big portion of the annual gains Contribution to the S&P 500 25% total return in 2024



\* The six stocks, from largest to smallest contribution to the S&P 500 total return, were: Apple, Amazon.com, Meta Platforms, Alphabet (both share classes), Broadcom, and Microsoft.

\*\* 518 stocks were in the S&P 500 during 2024 (Alphabet counted once); a small number of stocks were included in the index for only part of the year.

Source: FactSet; annual total return data (includes dividends) through 12/31/24.

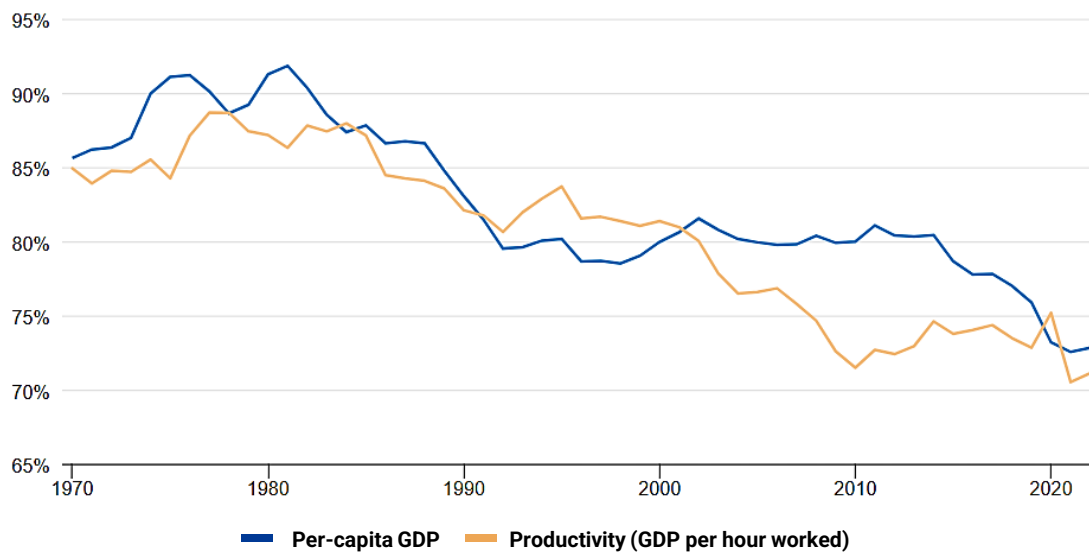
# Canada

Canadian equities delivered a 21.7% return in 2024, with gains driven by strength in the energy (+24%) and financials (+30%) sectors. Information technology stocks posted the highest sector return, but due to their smaller weighting in the TSX, they contributed less to overall market gains than financials and energy.

However, Canada's economic performance continue to lag the U.S. in 2024. Real GDP growth was just 1.2%, and unemployment rose to 6.7% by year-end. The Bank of Canada responded by cutting interest rates aggressively—five times in total, including two larger-than-usual cuts—moving faster than the U.S. Federal Reserve. This difference in policy, along with U.S. tariff threats, led investors to bet heavily against the Canadian dollar, sending it to its lowest level in years.

## Canada falls behind the U.S.

Canada % of U.S., PPP adjusted, 2015 USD



Source: OECD, RBC Economics

Looking ahead to 2025, Canadian equities could benefit from further monetary easing by the BoC, which may need to cut interest rates more aggressively than other G7 nations. The energy and materials sectors may gain from rising global demand, though potential U.S. tariffs could pose a challenge. In an uncertain economic climate, defensive stocks and strong financial companies are expected to remain appealing.

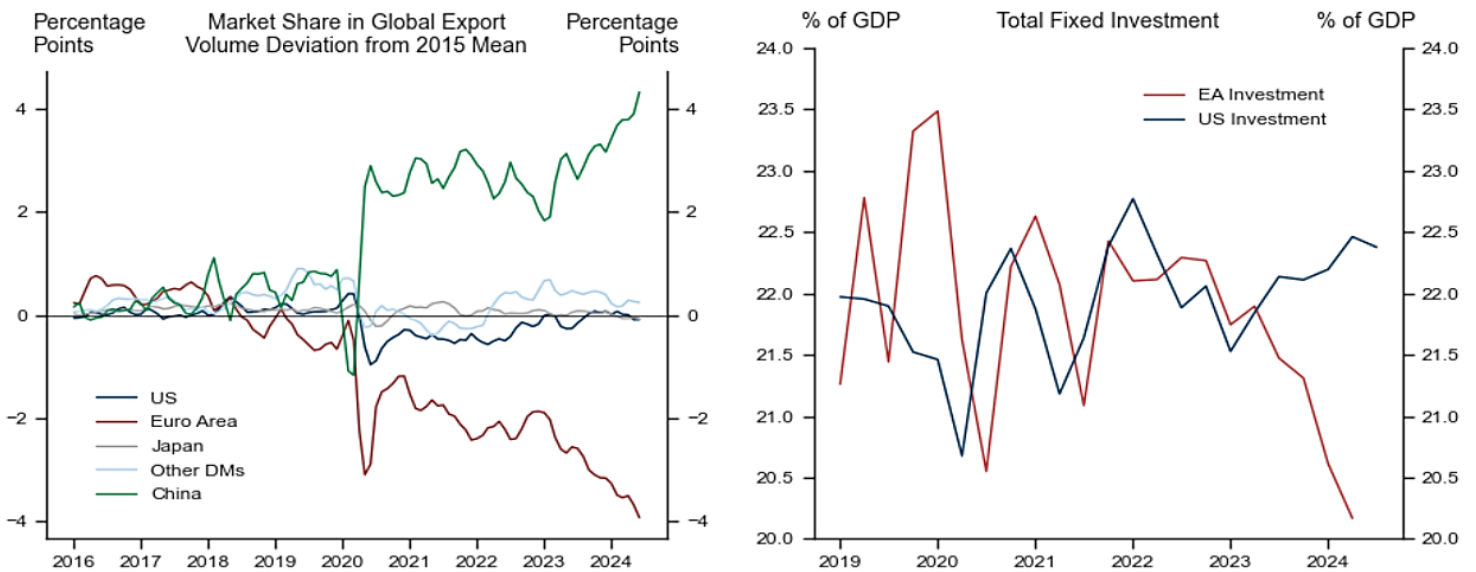
# Europe

European markets saw mixed returns in 2024:

- Germany's main stock index rose 19%, benefiting from a weaker euro that increased profits for export-oriented companies.
- France's main stock index gained just 1%, reflecting economic stagnation and political uncertainty.

The European Central Bank began easing interest rates, but tight financial conditions and geopolitical uncertainty continued to weigh on corporate and consumer sentiment. The energy crisis and fiscal constraints limited growth across key economies, while competition from China (see below left graphic) and falling corporate investments (below right) added further headwinds.

## The European Competitiveness Gap



Source: Haver Analytics, Goldman Sachs Global Investment Research

In 2025, the ECB is expected to further ease interest rates, potentially improving economic conditions. However, the threat of U.S. tariffs, competition from Chinese exporters, and fiscal constraints are likely to temper the growth rates of Europe's largest economies, namely the U.K., France, and Germany.

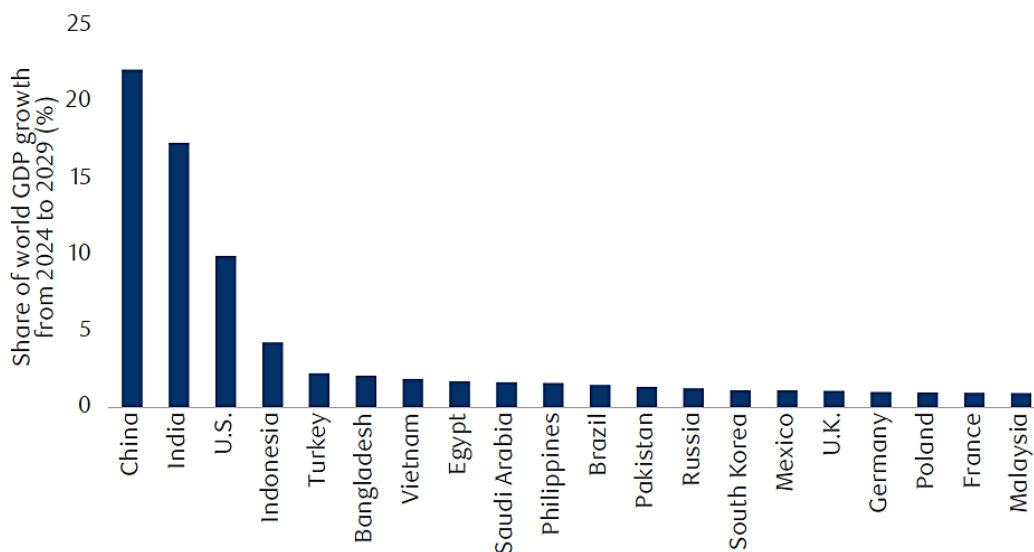


Asian markets had a volatile but positive year, with major economies taking different paths:

- China’s SSE Composite Index gained 12.7%, lifted by government stimulus, but consumer sentiment remained weak due to property market struggles and trade concerns.
- Japan’s Nikkei 225 Index surged 19.9%, driven by corporate reforms and a weaker yen, which led to higher earnings for exporters.
- India’s MSCI Index climbed 15.5%, fueled by strong domestic growth and foreign investment.

China’s real estate crisis and slowing exports remain key risks, but government stimulus could support equities in 2025. Despite these challenges, China and India are expected to remain the world’s top two growth contributors over the next several years. Japan also remains a bright spot, with ongoing shareholder-friendly reforms, strong earnings growth, and corporate governance improvements attracting foreign investment. For emerging markets in Asia, trade tensions and global economic uncertainty could create headwinds over the next 12 months.

## China to remain the top driver of world growth



Note: Based on IMF forecast from 2025 to 2029.

Source: IMF World Economic Outlook, Oct 2024, Macrobond, RBC CAM

## Fixed Income

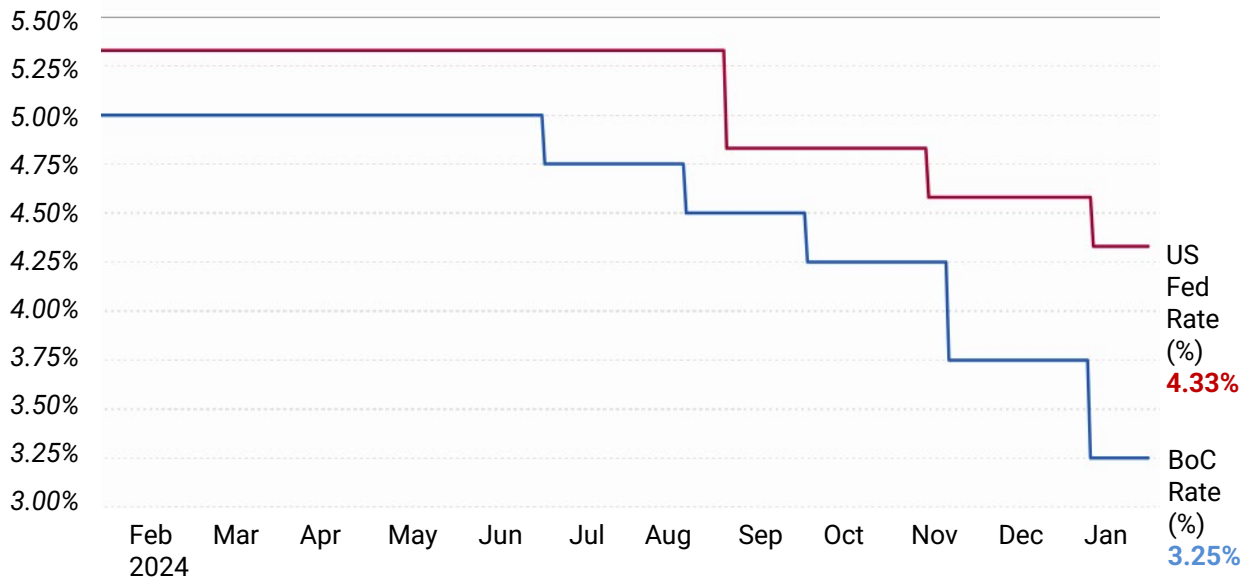
Bond markets in North America had a year of contrasts:

- Canada's bond market returned 4.2%\*, supported by the BoC's aggressive 1.75% interest rate cuts.
- U.S. bonds gained only 1.8%\*\*\*, as long-term yields surged late in the year due to rising inflation fears and government spending concerns.

Further rate cuts from the BoC and the Fed are expected in 2025, which may support bond returns, especially in shorter-duration assets. However, ongoing inflation concerns, and rising government debt may put pressure on longer-term bonds.

Total yields on investment-grade corporate debt remain attractive, but with low additional returns earned on corporate versus government bonds, there's little room for error. Tall Oak remains focused on shorter-term bonds but will continue to look for longer-term opportunities should credit spreads widen during the coming year.

### Bank of Canada vs. US Federal Reserve Policy Rates



Source: Bank of Canada and Board of Governors of the US Federal Reserve

\*Total CAD return of the FTSE Canada Universe Bond Index.

\*\*Total USD return of the S&P U.S. Aggregate Bond Index.

# 2024 Investment Theme & Highlights

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# Investment Theme

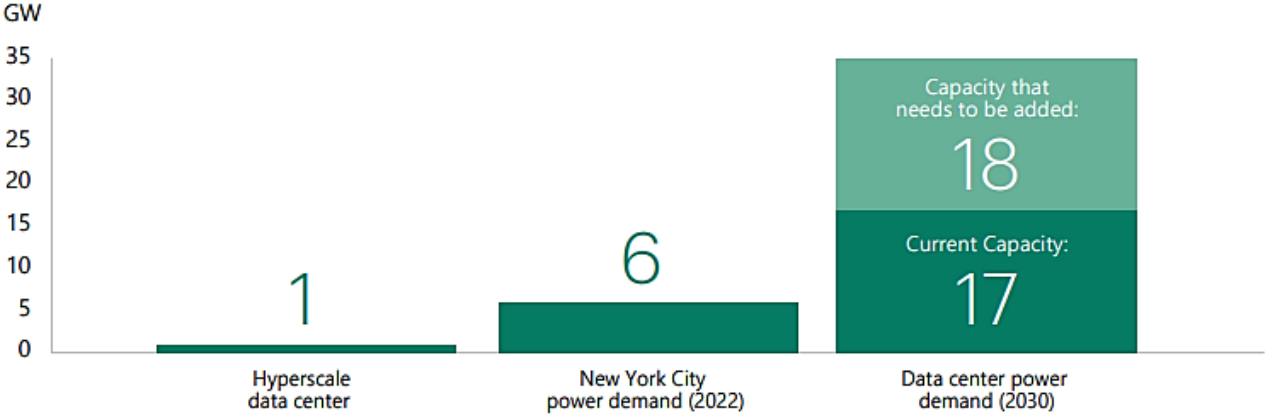
## Powering the AI Revolution: Infrastructure and Energy Demands

### AI's Growing Power Needs

The rapid expansion of artificial intelligence (AI) is driving unprecedented demand for high-performance data centres. AI workloads require vast computing power, leading to significantly increased energy consumption. "Hyperscalers" such as Microsoft, Google, and Amazon are rapidly expanding their infrastructure, pushing AI data centre power demand a projected four times higher by 2030. Unlike traditional cloud facilities, AI data centres frequently require 100-200 megawatts per site, comparable to the power needs of small cities.

**Hyperscalers** are large-scale cloud providers that operate vast networks of data centres to support AI, cloud computing, and enterprise workloads.

### We need to add the equivalent of three NYCs to the power grid by 2030



Sources: NYISO 2022, McKinsey, Nextgen, datacenterknowledge.com, Apollo Chief Economist

The core of this transformation is the need for reliable, scalable, and sustainable power infrastructure. As AI technology advances rapidly, the energy systems that support it must evolve in tandem. Companies operating in high-performance networking (Arista Networks Inc.) and power infrastructure development (GE Vernova Inc.) are poised to benefit from this shift, helping to solve bottlenecks in AI-driven data centre growth.

AI's demand for power has strained existing energy infrastructure, leading to three major challenges:

### 1. Grid Bottlenecks

- AI data centers require immediate and stable power, but grid connection delays can exceed a decade. This has made 'behind-the-meter' projects, where renewable power connects directly to data centers, an attractive alternative.
- Transmission capacity limitations are restricting expansion of hyperscale AI facilities.

### 2. Renewable Energy Constraints

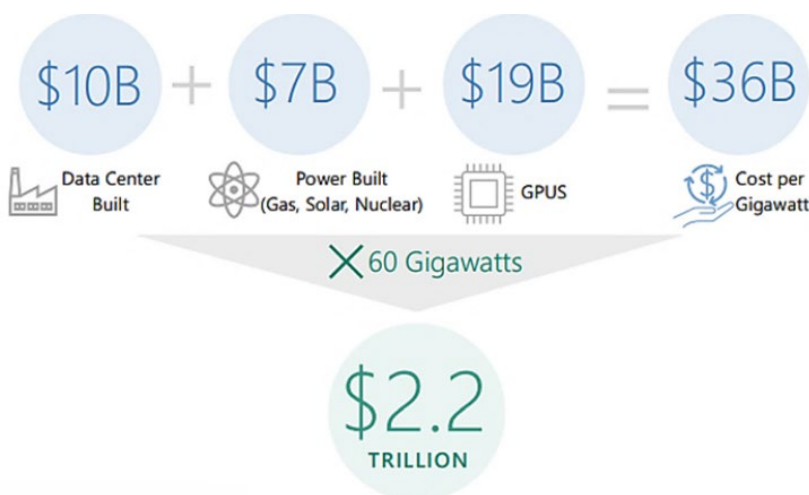
- Hyperscalers aim for 100% renewable energy, but wind and solar intermittency makes 24/7 AI operations difficult.
- AI data centres could require 750+ TWh of additional power globally by 2027, exacerbating electricity supply constraints.

### 3. Cooling and Heat Management

- AI chips generate extreme heat, requiring specialized liquid cooling systems.
- Cooling alone accounts for 18% of a data centre's total energy consumption.
- Another holding in the Tall Oak Capital Appreciation Pool, Vertiv Holdings Co., provides cooling services as part of its power management offering.

These challenges highlight the need for innovative power solutions, where companies like GE Vernova and Arista Networks play key roles in both energy generation and data centre efficiency.

## Total cost for data center build could surpass \$2 trillion



Sources: Turner & Townsend, Plan Vogtle, Apollo analytics

# Security Highlight

GE Vernova: At the Forefront of AI Power Solutions

GE Vernova, a spinoff from General Electric Co. in 2024, is a leader in energy technology, transmission infrastructure, and grid modernization. As AI data centres expand, GE Vernova is addressing critical power bottlenecks with investments in high-voltage transmission, transformer production, and energy resilience technologies.

## What does the company do?

- **Grid Solutions (50% of revenue):** GE Vernova leads in high-voltage transmission lines, transformers, and grid modernization technologies, ensuring AI data centres receive stable, uninterrupted power.
- **Gas Power (30% of revenue):** Traditional power generation, including gas turbines, provides flexible energy backup for hyperscalers.
- **Renewable Energy (20% of revenue):** The company is investing in wind, solar, and small modular reactors (SMRs) to support AI-driven demand for clean energy.

## How will the company grow?

- In early 2025, GE Vernova's CEO disclosed that it will be investing \$9 billion by 2028 to enhance grid capacity and meet AI energy demands.
- The company plans to address the transformer shortage, where lead times have tripled since 2020, with aggressive production scaling.
- As extreme weather events increase, GE Vernova is rolling out climate-resilient grid technology to ensure uninterrupted AI operations.
- Finally, they are working on AI-driven energy management to optimize data centre power usage and reduce grid stress.

## How does the company fit Tall Oak's investment approach?

- **Free Cash Flow Growth:** GE Vernova reported an almost tripling of free cash flow in 2024 versus the prior year and expects to grow this figure by 30%+ in 2025.
- **Return on Invested Capital (ROIC):** The company's investments in transmission and renewable energy cited above are set to provide high long-term returns on incremental invested capital.
- **Downside Protection:** Its diversified revenue streams across traditional and renewable power offer resilience against industry cycles.

# Security Highlight

As AI workloads become increasingly complex, networking infrastructure is a critical enabler. Arista Networks specializes in high-speed, ultra-low latency networking solutions, ensuring AI clusters can efficiently process massive datasets in real time.

## AI Clusters: Why Networking Matters

AI workloads operate within AI clusters, which are specialized high-performance computing environments optimized for deep learning and inference. These clusters require:

- Compute Nodes: GPUs (NVIDIA H100, Blackwell), TPUs, and CPUs for parallel processing.
- High-Speed Networking: 400G/800G Ethernet (Arista Networks) and InfiniBand (NVIDIA) for ultra-fast data exchange.
- AI-Optimized Storage: High-speed storage devices and distributed file systems to handle petabytes of data.

## What does the company do and how will they grow?

- Arista Networks specializes in network switches and routers, which are products that enable AI clusters to function without bottlenecks by directing traffic within the data centre to the appropriate resources.
- Its data centre switching revenue grew by 20% year-over-year as hyperscalers continue to adopt next-generation AI infrastructure.
- The company has strategic partnerships with Google, Amazon, and Microsoft that provides front-end infrastructure products to scale AI data centre capabilities.

## How does the company fit Tall Oak's investment approach?

- Free Cash Flow Growth: Arista Networks saw a 78% increase in free cash flow over the first three quarters of 2024 versus 2023, reflecting its important role in facilitating the growing AI data centre buildout.
- Return on Invested Capital (ROIC): Maintains a ~22% ROIC, showcasing its high-margin and capital-light business model across both products and services.
- Downside Protection: Recurring revenue from software and service contracts provides resilience against cyclical downturns.

# Conclusion

## The Critical Role of AI-Optimized Power Infrastructure

The AI revolution is fundamentally reshaping the power industry.

Over the next decade, AI-driven energy demand will require:

- Grid modernization and transmission capacity expansion.
- On-site nuclear, renewable, and localized power generation.
- Energy-efficient AI computing and cooling advancements.



GE VERNOVA

ARISTA

Companies like GE Vernova and Arista Networks will be instrumental in meeting these challenges, ensuring a scalable, sustainable, and resilient power infrastructure for AI-driven data centres.



Tall Oak Capital Advisors continues to invest in both the enablers of AI-related technologies, and the anticipated beneficiaries across the software landscape.

**Please reach out to us if you'd like to discuss how we are integrating different investment themes into our stock selection process, or if you'd like to learn more about our overall investment approach.**





# Fact Sheet

Tall Oak Capital Appreciation Pool



## Portfolio Manager

### Tall Oak Capital Advisors

#### Shawn Jakupi, CFA

Chief Executive Officer & Portfolio Manager

#### Mehendi Kamani CFP, CIM, CLU

President & Portfolio Manager

## About Tall Oak

Tall Oak Capital Advisors is a boutique investment manager based in London, Ontario Canada. We work closely with our clients to understand all aspects of their finances. Our fully integrated approach begins with getting to know each client's unique challenges and goals, building a plan to reach those goals, and then executing the plan with precision.

## Our Approach

The key to developing successful portfolios is correctly identifying **long-term structural investment themes** that align with the prevailing market and macroeconomic conditions. **Diversification matters.** In a world where correlations between markets have converged yet continue to change, understanding how each security will react to different market forces leads to better risk-adjusted returns.

Having a deep **understanding of company fundamentals** is essential to finding businesses with stable cash flows, robust earnings power, and strong long-term growth prospects. **Capital preservation** is of utmost importance. The priority is to avoid high-risk situations in the portfolio by adding safeguards to minimize loss.

**Risk management** at all levels – from portfolio construction to security selection – is key to building long-term resilient portfolios. Taking a collaborative approach where knowledge and different viewpoints are shared, strengthens our insights when evaluating companies.

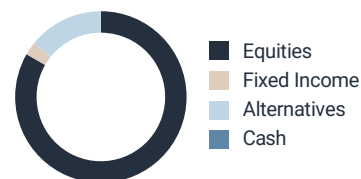
## Investment Objective

To achieve long-term capital appreciation with a focus on diversification and downside protection by investing across asset classes in Canadian and Global companies with market cap exceeding \$500 million.

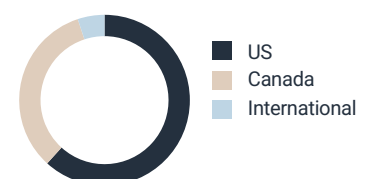
## Investment Philosophy

The team employs a disciplined approach by combining a systematic, quantitative and fundamental security selection process. This process favours quality companies with growing earnings and healthy free cash flows purchased at reasonable prices. When building a balanced portfolio, the strategy will invest in a mix of equities, fixed income and alternatives, diversified across various geographic regions, sectors and industries.

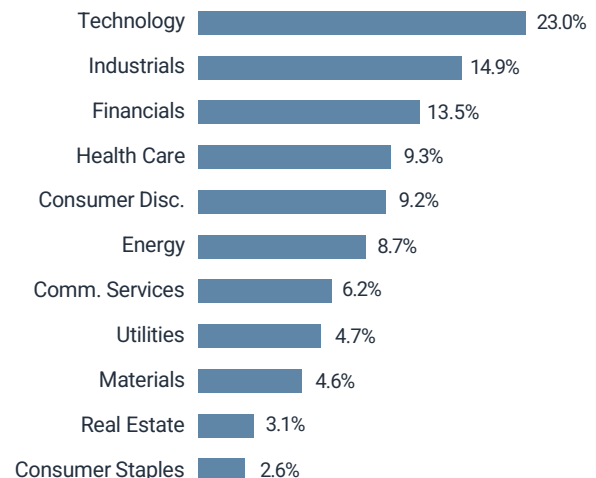
## Asset Allocation



## Regional Breakdown



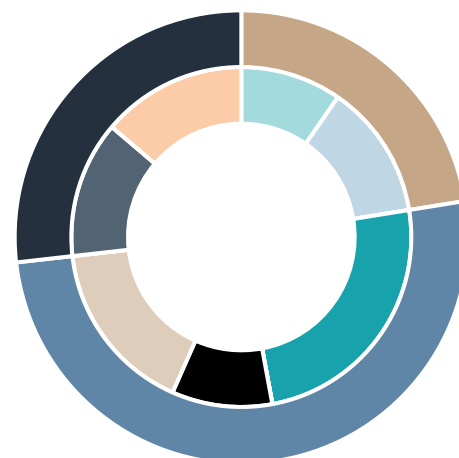
## Equity Sector Breakdown



# Portfolio Insights

| Top Equity Holdings       | Sector                 | %   |
|---------------------------|------------------------|-----|
| Alphabet Inc              | Communication Services | 2.0 |
| Nvidia Corp               | Information Technology | 1.9 |
| Amazon.Com Inc            | Consumer Discretionary | 1.9 |
| Microsoft Corp            | Information Technology | 1.8 |
| Equinix Inc Reit          | Real Estate            | 1.8 |
| Meta Platforms Inc        | Communication Services | 1.7 |
| Arista Networks Inc       | Information Technology | 1.6 |
| Cameco Corp               | Energy                 | 1.6 |
| Mastercard Inc            | Financials             | 1.5 |
| Eli Lilly & Co            | Health Care            | 1.5 |
| Mercadolibre Inc          | Consumer Discretionary | 1.5 |
| Vistra Corp               | Utilities              | 1.5 |
| Palantir Technologies Inc | Information Technology | 1.5 |
| Apple Inc                 | Information Technology | 1.5 |
| Palo Alto Networks Inc    | Information Technology | 1.4 |
| Lam Research Corp         | Information Technology | 1.4 |
| Regeneron Pharma Inc      | Health Care            | 1.4 |
| Fortinet Inc              | Information Technology | 1.4 |
| Antero Resources Corp     | Energy                 | 1.4 |
| Tourmaline Oil Corp       | Energy                 | 1.3 |

## Fixed Income and Alternative Investments



### Types

- Real Assets
- Fixed Income
- Hedge Funds

### Subtypes

- Infrastructure
- Real Estate
- Private Credit
- Mortgage Funds
- Corporate Bonds
- Multi-Strategy
- Event Driven

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# Fact Sheet

Tall Oak Diversified Income Pool



## Portfolio Manager

### Tall Oak Capital Advisors

#### Shawn Jakupi, CFA

Chief Executive Officer & Portfolio Manager

#### Mehendi Kamani CFP, CIM, CLU

President & Portfolio Manager

## About Tall Oak

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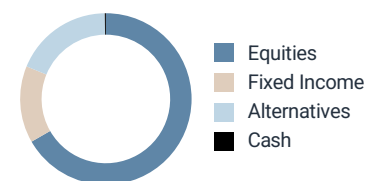
## Investment Objective

To achieve consistent portfolio returns from predictable income streams provided by high quality fixed income and alternative investments along with stable and growing dividends paid by large cap North American listed companies.

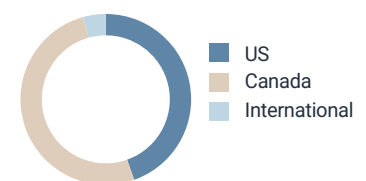
## Investment Philosophy

We believe owning high-quality businesses is one of the best ways to preserve and grow capital in the long term. The team employs a disciplined approach by combining a systematic, quantitative and fundamental selection process that favours high quality companies that have a track record for paying and growing dividends over time.

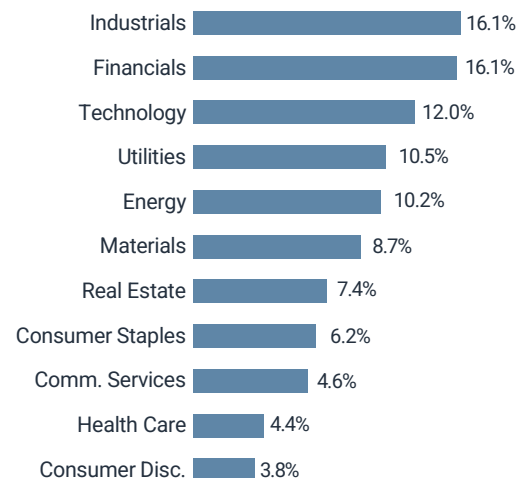
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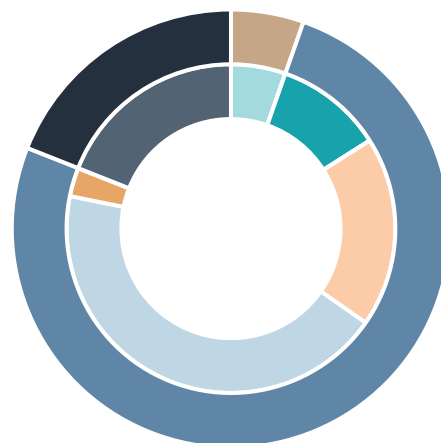
## Equity Sector Breakdown



# Portfolio Insights

| Top Equity Holdings       | Sector                 | %   |
|---------------------------|------------------------|-----|
| Eaton Corp PLC            | Industrials            | 1.5 |
| Equinix Inc REIT          | Real Estate            | 1.5 |
| Cheniere Energy Inc       | Energy                 | 1.5 |
| Deere & Co                | Industrials            | 1.4 |
| Entergy Corp New          | Utilities              | 1.4 |
| Taiwan Semiconductor      | Information Technology | 1.3 |
| Manulife Financial Corp   | Financials             | 1.3 |
| Broadcom Inc              | Information Technology | 1.3 |
| Nextera Energy Inc        | Utilities              | 1.3 |
| Goldman Sachs Group Inc   | Financials             | 1.3 |
| M & T Bank Corp           | Financials             | 1.3 |
| Williams Sonoma Inc       | Consumer Discretionary | 1.3 |
| Ameriprise Elec Power Inc | Utilities              | 1.2 |
| Intact Financial Corp     | Financials             | 1.2 |
| Dollarama Inc             | Consumer Discretionary | 1.2 |
| Ameriprise Financial Inc  | Financials             | 1.2 |
| Digital Reality Trust Inc | Real Estate            | 1.2 |
| Wsp Global Inc            | Industrials            | 1.2 |
| CBRE Group Inc            | Real Estate            | 1.2 |
| Eaton Corp PLC            | Industrials            | 1.5 |

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