2021-2022

Annual Review

Practicum in Portfolio Management and Practicum in Small-Cap Investing

Baylor University
HANKAMER SCHOOL OF BUSINESS

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Sandeep Mazumder, PhD
William E. Crenshaw Endowed Dean of Hankamer School of Business

Shane Underwood, PhD
Pat and Thomas R. Powers Chair in Investment Management, Finance, Insurance and Real Estate Department Chair, and Chair of the Investment Funds' Board of Directors

Susan Etheredge, MIM, CTP, CICP
Managing Director, Hodges Financial Markets Center, and Senior Lecturer in Finance

Portfolio Practicum Faculty:

Brandon Troegle, CFA® CAIA®
Co-Chief Investment Officer, Hillcrest Asset Management

Dave Morehead, CFA®
Chief Investment Officer, Baylor University

We would like to dedicate this Annual Review to the people who were most instrumental in establishing the hands-on investment program:

Terry Maness, PhD and former Dean, Hankamer School of Business

We are grateful for his tremendous efforts to raise the funds to establish the two student-managed investment portfolios, and to obtain the funds to build the original Financial Markets Center in the Cashion Building, and the new Financial Markets Center in the Foster Campus for Business and Innovation.

Bill Reichenstein, PhD and Brian R. Bruce

We are grateful to Bill and Brian for all the work they did to establish the investment guidelines, develop the course curriculum, and guide the students in the Practicum in Portfolio Management for many years.

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A Note from the Chair of the Finance, Insurance and Real Estate Department and Chair of the Investment Funds' Board of Directors

Dear friends of our student managed investment funds, I want to start by thanking you for all the ways that you support our students and faculty. Without your support, our programs such as the portfolio management practicum courses simply could not happen. As you will see in this report, the performance of both our funds has been stellar over the past year. However, at Baylor we measure performance beyond simply financial returns. Of course, we strive for excellence in all that we do – including those financial returns. But more importantly, the skills developed in our portfolio management practicum courses are preparing our students for a lifetime of success. Students learn to think critically both at a micro level and a macro level as they consider the multitude of factors that can affect a firm's valuation. They learn to apply the principles they have been taught in previous courses in a setting that helps bring to life the uncertainties they will face in their careers. And they learn the importance of being good stewards of the resources God has entrusted them with through these practicum courses. Thank you again for your support as we seek to honor Him through all our work here at Baylor University.

Sincerely,

Shane Underwood

A NOTE FROM THE FACULTY

Brandon Troegle & Dave Morehead

As for the last year, we're pleased with the performance of both funds in part because returns from the funds support scholarships for business students at Baylor.

More importantly we're pleased with the growth we're seeing in the analysts who have taken up the challenge and responsibility of running an equity portfolio. For many this is their first step into investment analysis, and they have been exposed to market volatility, competing narratives, risks, and decision making in the face of uncertainty. They have learned how to construct reports and pitch recommendations, and importantly learned how to think and process the information they gather as they put the puzzle together. The practicums are about moving beyond academic theory, past textbooks, and bringing the real world into the classroom. This experiential learning comes with a lot of responsibility and high standards, and the analysts have also learned that what doesn't meet standards of the workplace doesn't meet standards in the practicums either.

Students are making these important investment decisions with state-of-the-art facilities and resources. Operating out of the Hodges Financial Markets Center, one of the finest facilities in the country, they are using resources they're likely to use in their careers including FactSet, Bloomberg, Eikon, and others. Countless hours have been spent using these resources to make sure the portfolios are positioned with the best opportunities for the environment ahead.

Baylor's student managed funds are among the largest and oldest in the country, and the combined value of the large cap and small cap portfolios has increased to over $15 million. It's a significant responsibility for the analysts running this money, and as a result we're producing graduates who have a meaningful advantage in the real world as the begin their careers. The support of so many people make the practicums possible including donors, alumni and friends serving as advisors, the administration and various faculty members at the business school, and guest speakers.

> "We can't close this without a special thanks to Susie Etheredge who is retiring early next year.

She has been instrumental in the functioning of the practicums, working tirelessly mostly behind the scenes, making all aspects of the program run smoothly. Susie has been involved almost as long as the practicums have existed and will certainly be missed. We wish her the very best in her retirement.

Brandon Troegle

Dave Morehead

LARGE CAP INVESTMENT FUND OVERVIEW

Baylor University's Large-Cap Investment Fund (Large Cap Fund) is a "hands-on" student-managed fund that was established in 2000 with an initial endowment of $250,000 from Baylor alumnus Philip M. Dorr.

With additional contributions raised by Dean Terry Maness from alumni and friends, the fund opened on January 1, 2001 with a total of $400,000. The fund has since grown through contributions and investment gains to approximately $14.7 million as of March 31, 2022. A list of contributors is available on the Hankamer School of Business website; however, special mention should be made of a generous gift from Don and Ruth Buchholz of Dallas, which was matched by a contribution from the endowment fund of the University.

THE OBJECTIVES OF THE FUND ARE TWOFOLD:

First, provide an investment fund with which business students can learn investment principles and techniques by managing real money. The second is to provide scholarships out of growth in market value of the fund. In April 2004 the fund made its first distribution of $97,000 for scholarship purposes. Scholarships to-date total $2,811,000. Student analysts in the Practicum in Portfolio Management course (Large Cap Practicum) manage the Large Cap Fund under the direction of two professors: Mr. Brandon Troegle, CFA®, CAIA®, Co-Chief Investment officer of Hillcrest Asset Management and Mr. David Morehead, CFA®, Baylor University's Chief Investment Officer. Additionally, Dr. Shane Underwood, the Pat and Thomas R. Powers Chair in Investment Management and Chair of the Finance, Insurance & Real Estate Department, serves as the Chair of the Board of Directors of the fund. The professors teach students how to make well-informed equity investment decisions using fundamental analysis.

Each semester a new group of analysts in the Practicum in Portfolio Management course manage the stock selections.

The one-semester time frame allows for two rounds of analyst presentations, with a possible third round reserved for special circumstances. During the first round of presentations, analysts review stocks that are currently held in their sector and make recommendations as to whether the class should hold the current stock throughout the semester, hold the current stock unless a superior replacement is found during the semester, or sell the current stock immediately. The second round of presentations is set aside for analysts to recommend new stocks.

Student analysts benefit from performing their equity research in the Hodges Financial Markets Center. The Center provides access to real-time financial data, sophisticated research tools, state-of-the-art video conferencing technology, and an appealing environment for presentation and discussion of ideas among students in the Practicum course. The student analysts learn through first-hand experience the amount of research and analysis that goes into stock selection. Data sources used by the students include Bloomberg, FactSet, Eikon, Capital IQ, and various financial websites. With the Hodges Financial Markets Center, Baylor has one of the top facilities of its kind in addition to one of the largest student-managed investment funds in the nation. Student analysts enjoy performing their equity research in the Hodges Financial Markets Center.

Portfolio Management

LARGE CAP Analysts by Sector

Market Sector	Fall 2021	Spring 2022
Communication Services	Gabby Garcia / Chetan Virmani	Gavin Xie
Consumer Discretionary	Ryan Boren * / Daniel Coxon *	Aydin Halimi / Caleb Kim
Consumer Staples	Colin Griggs / Luke Liefeld	Byron Goulard / Collin Green
Energy & Utilities	Austin Marchant / Christopher Stoudt	Lucas Chau / Sophia Leidner
Financials & Real Estate	Taylor Neel / Xavier Valero	Sebastian Carrillo / Dylan Dauphiney
Health Care	Taran Jain / Christopher Nguyen	Moi Camhi / Stephan Stark
Industrials & Materials	Grayson Beverly / Lindsay North	Chris Clark / Christi Coulter
IT - Full Sector	Elise Martin/ Samantha Papageorg	--
IT - Software & Services	--	Trey Fowler / Aidan Stuart
IT - Hardware	--	Aidan Conom / Jeffrey Pistor

**Member of the CFA Investment Research Challenge Team*

LARGE CAP ANALYSTS - FALL 2021

Grayson Beverly

A senior Supply Chain Management and Finance major from Pearland, Texas. Beverly was the co-analyst for the Industrials and Materials sector during the fall 2021 semester. During his time at Baylor, Beverly has had multiple internships with the most notable ones being with CommunityBank of Texas and POOLCORP. Upon graduation, Beverly hopes to get his career started in the supply chain industry.

Ryan Boren

A senior from Amarillo, Texas. He is majoring in Finance and Marketing and was a co-analyst for the consumer discretionary sector in the fall 2021 Large Cap Practicum. Boren was also a member of Baylor's CFA Institute Research Team in the spring of 2022. Following his graduation in May 2022, Boren will work as a global private bank analyst at J.P. Morgan in Dallas. In his free time, Boren enjoys watching and attending sporting events. He is also an active member of the Alpha Tau Omega fraternity.

Daniel Coxon

A senior Business Fellow from Houston, Texas. He is earning his Master of Accountancy, majoring in Business Fellows, Finance and Accounting, as well as minoring in Mathematics. Coxon was the co-analyst for the consumer discretionary sector in the fall 2021 semester and a member of Baylor University's CFA Research Competition team for the spring 2022 semester. Upon graduation, he plans on pursuing his career as an investment banking analyst for Stephens in Dallas, Texas. In his free time, he is a student liaison in the Investment & Advisory Network and an active member of the Alpha Tau Omega fraternity.

Gabriella Garcia

A junior from San Antonio, Texas. She is majoring in Business Fellows, Finance and Accounting. Garcia was the co-analyst for the communication services sector in the Fall 2021 semester. She will graduate a year early in May 2022. Upon graduation, she will be attending Baylor School of Law, as she wishes to pursue a career as a real estate attorney. In her free time, Garcia serves as an active volunteer at the Humane Society.

Colin Griggs

A double major in Finance and Entrepreneurship from Frisco, Texas Besides being an analyst in the Baylor Angel Network, he has held internships in private equity and investment banking. Griggs is also involved in the Investment & Advisory Network, Alpha Tau Omega Fraternity, and the Baylor Excellence and Scholarship Team (B.E.S.T.). This past summer, Griggs interned with Credit Suisse in the investment banking division and will be joining them full time upon graduation.

Taran Jain

A junior Business Fellow from Frisco, Texas, majoring in Business Fellows, Finance and Economics with a minor in Biology. He was the co-analyst for the health care sector in the fall 2021 semester. Additionally, Jain is currently a junior analyst for the Baylor Angel Network. This upcoming summer, Jain will be serving as a financial analyst intern for Thomson Reuters in their Carrollton, Texas office. He plans to graduate in the spring of 2023.

Luke Liefield

A senior Finance and Entrepreneurship major from Yorba Linda, California. Liefeld was a co-analyst for the consumer staples sector in Fall 2021 and will be graduating this upcoming May 2022. Upon graduation, Liefeld will be pursuing a career in consulting at KPMG's Advisory Practice in their Dallas office. While at Baylor, Liefeld was a part of the B.E.S.T. program and served as president of The Consulting Group at Baylor. Liefeld had previous internship experience working for UBS Wealth Management and leading pro bono consulting in the Waco area. In his free time, Liefeld enjoys playing basketball and golfing and is a member of the Alpha Tau Omega fraternity.

Austin Marchant

A third-year Business Fellow from Mansfield, Texas, who will graduate in May 2023 with a master's in accounting and bachelor's degrees in accounting and finance. He formerly served as a co-analyst for the energy and utilities sectors and recently worked as an advisory intern at Calvetti Ferguson. He is currently working as an audit intern for Deloitte and will be interning within Piper Sandler's Energy and Power Investment Banking Division this summer. Upon graduation, he will pursue a career in advisory or investment banking.

Elise Martin

A junior Business Fellow from Tulsa, Oklahoma. She is majoring in Finance and Accounting, then pursuing a Master's in Accounting. During the fall of 2021, Martin served as a co-analyst for the information technology sector. Over summer 2021, Martin interned for the Securities and Exchange Commission under the Office of the Chief Accountant. This coming summer, she will be interning with KPMG within their advisory services.

Taylor Neel

A senior from Dallas, Texas. She is majoring in Finance, Risk Management & Insurance and International Business. She was the co-analyst for the Financials and Real Estate sector in the Fall 2021 semester. Upon graduation, she will be pursuing a career in wealth management at JP Morgan Chase. In her free time, Neel is an active member of Zeta Tau Alpha Sorority.

Christopher Nguyen

A senior Business Fellow from Friendswood, Texas, majoring in Biochemistry, Economics and Finance with a minor in Mathematics. After graduating from Baylor in May 2022, he plans on attending medical school in Texas and attaining a medical degree.

Lindsay North

A junior Business Fellow from Waco, Texas. She is majoring in Business Fellows, Finance, Economics and Mathematics and minoring in Religion. North was the co-analyst for the industrials and materials sectors in the fall 2021 semester. This summer, she will work as an undergraduate researcher for the Baylor Mathematics department, building models to describe voting behavior in the United States, and upon graduation, North will be pursuing a postgraduate degree in Mathematics. In her free time, Lindsay is the Fellows Snack Club Chair and Hospitality Coordinator, a CBL Waco Committee Member, and interns at MathisAbbe Financial Advisors. She is currently studying abroad at the University of St. Andrews in Scotland with their School of Divinity.

Samantha Papageorge

A senior from Dallas, Texas. She is majoring in Finance and Management Information Systems and is a member of the Baylor Interdisciplinary Core and Honors Program. Papageorge was the co-analyst for the information technology sector in the fall 2021 semester. Upon graduation, she will be pursuing a career as a technology consultant for Credera. In her free time, Papageorge is a Division I athlete on the equestrian team.

Chris Stoudt

A senior Finance major from Pottsville, PA. He was a co-analyst for the energy and utilities sector in the fall 2021 semester. Upon graduation, he plans to return to the Northeast and pursue a career in commercial lending. Outside of academics, Stoudt throws the javelin for Baylor's men's track and field team.

Xavier Valero

A senior from Houston, Texas. He is majoring in Finance, Entrepreneurship and Real Estate. Valero was the co-analyst for the financials and real estate sector in the fall 2021 semester. In his free time, Valero is the Head Service Chair and active member of the Kappa Sigma Fraternity. Upon graduation in May, he will be pursuing a career in the Commercial Real Estate industry as an investments analyst for Dallas-based alternative investment manager, Civitas Capital Group.

Chetan Virmani

An MBA/MSIS dual degree candidate specializing in Finance. He currently serves as a co-analyst for the communication services sector. Prior to his graduate studies, Virmani pursued a Bachelor of Arts in Communications and managed a business in the field of insurance brokerage alongside it. Presently, he is preparing for the CFA exams with the hope of pursuing a career in asset management upon his graduation.

Moi Camhi

A senior Finance major from Houston, Texas. He currently serves as a co-analyst for the health care sector of the portfolio. He will be graduating from Baylor University with a BBA in May 2022. Camhi previously interned at a small Real Estate firm in Houston and plans to enter the Private Equity or Wealth Management space, as well as possibly pursue the CFA designation upon graduation.

Sebastian Carrillo

A senior from the heart of Silicon Valley in Los Gatos, California. He is majoring in finance with an emphasis in investment management. In the past, he has interned at GoFundMe.org in their finance department, and at Moss Adams for their wealth management division. On campus he is a member of the Alpha Tau Omega Fraternity and First in Line for first generation college students. After graduating in May 2022, Carrillo will be working full-time at GDS Wealth Management in Flower Mound, Texas and plans to pursue his CFA in the coming months.

Lucas Chau

A junior Business Fellow from Tulsa, Oklahoma. He is majoring in Business Fellows, Economics, Finance and Mathematics and is currently a co-analyst for the energy and utilities sector. In the summer of 2021, he worked with State Farm's public and private equity teams where he found his passion for finance and valuation. In the upcoming summer of 2022, Chau will serve as an investment banking summer analyst for Piper Sandler's Energy and Power team in Houston, with plans to pursue investment banking following his time at Baylor. Alongside the Phil Dorr Fund, Chau also serves as a junior analyst for the Baylor Angel Network, where he works with early-stage companies and investors, and a student liaison for the Baylor Investment & Advisory Network, where he mentors Baylor students pursuing careers in investment banking and private equity. In his free time, Chau enjoys attending Baylor sporting events, trying new foods and staying active.

Christopher Clark

A senior from Henderson, Nevada, majoring in Finance and Management Information Systems with a certificate in Data Analytics. Clark is currently a co-analyst for the industrials and materials sector. Upon graduation in May, he will be pursuing a career in the financial services industry or in corporate finance. In his free time, Clark is the manager for the Baylor club baseball team.

Aidan Conom

A junior from Frisco, Texas. He is majoring in Finance and Management Information Systems. Conom is currently a co-analyst for the information technology hardware sector. Upon graduation, he will be pursuing a career in the Investment Management industry. In his free time, Conom serves at his local church, manages the Baylor Gameroom and is an active member of Phi Kappa Chi Fraternity.

Christi Coulter

A senior Finance and Management major from Tulsa, Oklahoma. She is currently a co-analyst for the industrials and materials sector. This past summer, she interned as a commercial underwriter for Great American Insurance Group. Coulter looks forward to starting her career in their Surety division upon graduation in May 2022.

Dylan Dauphiney

A senior Finance and Accounting major from Lafayette, Louisiana. Dauphiney is currently a co-analyst for the financial and real estate sector. While at Baylor, Dauphiney completed the BIC program and was president of Phi Beta Sigma Fraternity Incorporated. Outside of school, Dauphiney works at Prosper Waco, a non-profit. In his free time, he enjoys traveling, investing and meeting new people to learn about their experiences. Upon graduation, he will be pursuing a career in the portfolio and asset management industry.

Trey Fowler

A junior Finance and Management Information Systems major with a certificate in Business Analytics. He is from Daphne, Alabama, and is a co-analyst for the software information technology sector. After graduation, Fowler will continue working in the investment field and will pursue a career in wealth or hedge fund management. He will also be pursuing the Chartered Financial Analyst certificate. Outside of class, Fowler is currently the treasurer of Alpha Tau Omega and loves to trade options under his retail account.

Byron Goulard

A junior Business Fellow from Orange County, California, majoring in Finance and Accounting with a minor in Mathematics. He will be graduating a year early in May 2022. Upon graduation, Goulard will be working for White Label Asset Management back home in California, where he interned the prior summer. Goulard is currently a co-analyst for the consumer staples sector.

Collin Green

A junior Finance and Management major from Southlake, Texas. He is currently a co-analyst in the consumer staples sector of the large-cap portfolio. Green has worked as a research associate at Deer Point Partners as well as a financial advising intern at LPL Financial. This summer, Green will be interning as a risk analyst at Fidelity in Westlake, Texas. Upon graduating, he hopes to pursue a career in private equity or wealth management.

Aydin Halimi

A senior Finance and MIS major from Sugar Land, Texas. He is currently a co-analyst in the consumer discretionary sector of the portfolio. This past summer, he worked in wealth management at Northwestern Mutual in Houston. Upon graduation, he hopes to pursue a career in commercial banking or real estate private equity.

Caleb Kim

A senior from Highlands Ranch, Colorado, majoring in Finance and Management. He is a co-analyst for the consumer discretionary sector of the large-cap portfolio. Kim is an active member of the Baylor Triathlon team and will graduate in the spring of 2022. Upon graduation, Kim will be working as a finance specialist for Charles Schwab and will be pursuing his CFA.

Sophia Leidner

A junior Business Fellow from Fort Worth, Texas. She is majoring in accounting and finance with a minor in mathematics, while pursuing the energy commerce certificate. She serves as the co-analyst this semester for the Energy & Utilities sectors. This upcoming summer, Leidner will intern in private banking at JP Morgan in Fort Worth. She is on the Baylor Track & Field and Cross Country teams and will graduate in May 2023 with a Masters of Accountancy.

Jeff Pistor

A senior Finance and Accounting double major from Colleyville, Texas. He will complete his undergraduate studies at Baylor University in the spring of 2022 and will return to Baylor for a one-year Master of Accountancy program. In the midst of his academic career, Pistor successfully co-founded the Turning Point USA chapter at Baylor for which he currently serves as vice president. He has spent previous summers in Guatemala and the Middle East sharing the love of Jesus with locals and will spend his upcoming summer in East Asia doing the same. Upon completing his master's degree, Pistor will be working for a commercial bank in Dallas or Washington D.C.

Stephen Stark

A senior from Houston, Texas. He is majoring in Finance and Economics and is currently serving as a co-analyst for the health care sector. Stark is a member of Pi Kappa Phi at Baylor University and formerly served as the vice president of the chapter. In his free time, Stark likes to play basketball and hang out with his friends. After graduation, he plans to work at Vanguard in Dallas as a part of the financial advisor training program.

Aidan Stuart

A junior from Temecula, California, majoring in Finance and Marketing. He is currently serving as a co-analyst for the Information technology software and services sector. Last summer, Stuart interned at Blue Yonder as a SaaS conversions intern and plans to have an investment-based internship this summer. In his free time, Stuart is an active member of Kappa Omega Tau and served as an event chairman. Upon graduation, Stuart plans to pursue his CFA and go into wealth management.

Gavin Xie

An MBA and MSIS candidate. He graduated from Baylor University in 2020 with a double major in Finance and Management Information Systems. He is the financial analyst in the communication sector. Xie had a prior internship experience in Nasdaq as a tech audit intern. He is interested in pursuing a career in banking or consulting industry after graduating this May.

LARGE CAP

Investment Advisory Committee

We would like to express gratitude to our Investment Advisory Committee for their time, guidance, and support.

Danny Boyce, CFA®
Lee Financial Corp.

Jared Brimberry
UTIMCO

Brent Clum
MorningStar Partners LP

Ruth Ebling
Boston Consulting Group

Taylor Finch, CFA®
Finch Capital Management LLC

Ben Friedman, CFA®
Caprock Capital

Erwin Gostomski
ORIX Mezzanine & Private Equity

Renee Hanna, CFA®
BU® Office of Investments

Craig Hodges
Hodges Capital

Tyler King
Silverpeak Real Estate Partners

Kyle Mills
McKinsey & Company

Brian Olson, CFA®
Goldman Sachs

Tyson Strauser, CFA®
KingsPriest Holdings, LLC

LARGE CAP FUND HOLDINGS

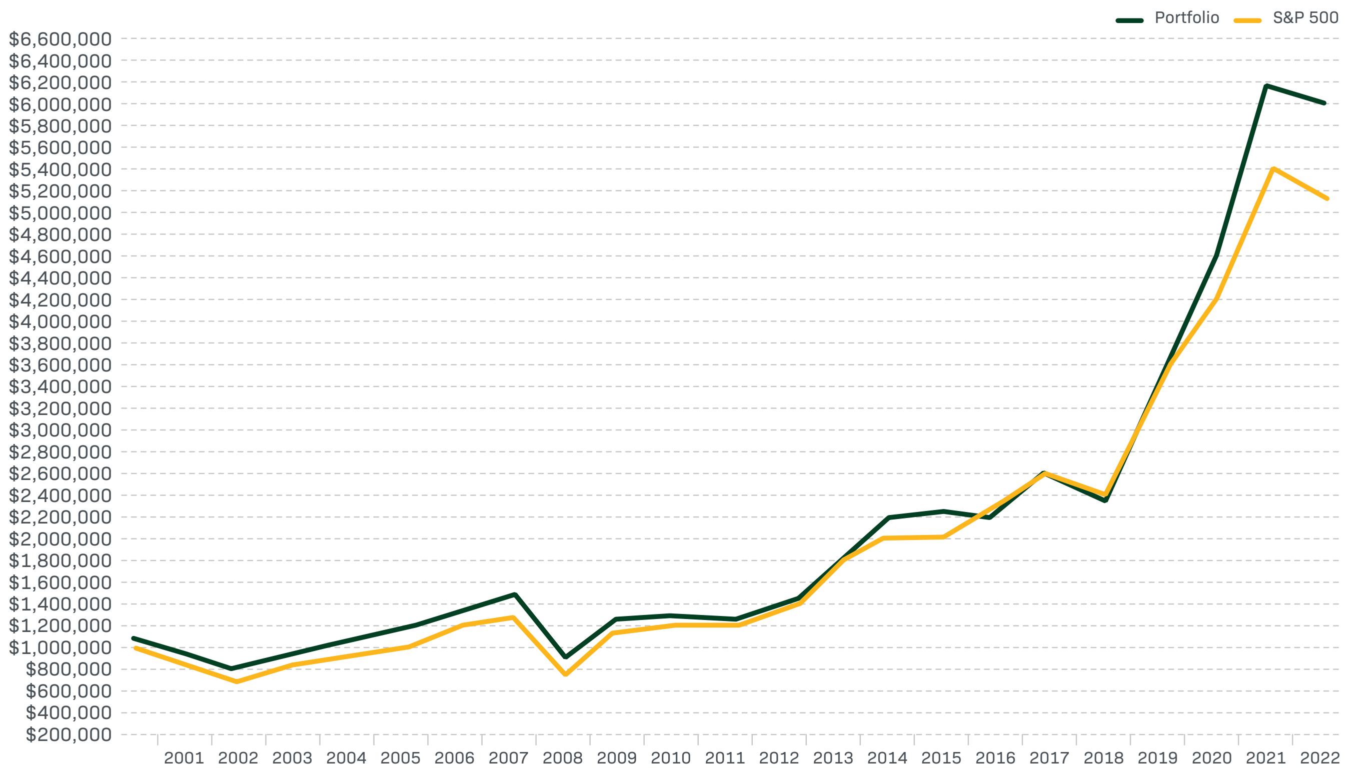
Company	Sector	Industry	Weight
Alphabet	Communications Services	Interactive Media & Services	6.6%
Cummins	Industrials	Machinery	4.0%
nrg	Utilities	Electric Utilities	2.8%
Apple	Information Technology	Technology Hardware Storage & Peripherals	5.4%
Diamondback Energy	Energy	Oil Gas & Consumable Fuels	1.9%
Pioneer Natural Resources	Energy	Oil Gas & Consumable Fuels	2.7%
Arista	Information Technology	Communications Equipment	7.5
Prologis	Real Estate	Equity Real Estate Investment Trusts	4.7%
BlackRock	Financials	Capital Markets	4.7%
ebay	Consumer Discretionary	Internet & Direct Marketing Retail	5.6%
Tyson	Consumer Staples	Food Products	3.3%
AutoZone	Consumer Discretionary	Specialty Retail	5.8
Goldman Sachs	Financials	Capital Markets	4.6%
UnitedHealth Group	Health Care	Health Care Providers & Services	6.9%
Vertex	Health Care	Biotechnology	7.5%
Corteva agriscience	Materials	Chemicals	3.9%
Microsoft	Information Technology	Software	9.4%
Visa	Information Technology	IT Services	6.7%
Costco Wholesale	Consumer Staples	Food & Staples Retailing	4.6%

Cash 1.50%

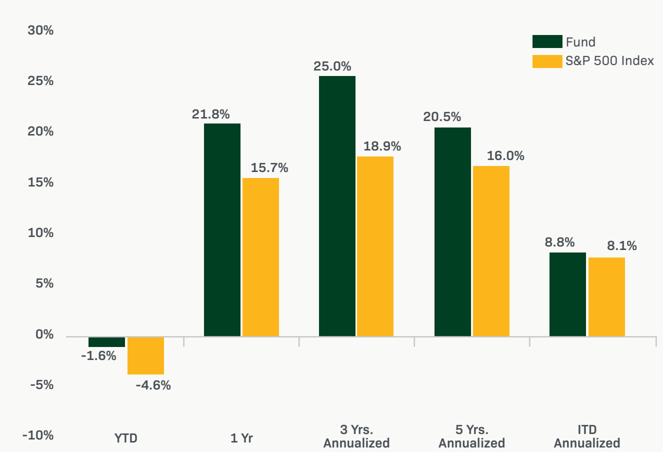
LARGE CAP PORTFOLIO PERFORMANCE SUMMARY

The objective of the student managed Large Cap Investment fund is to outperform the S&P 500 on a long-term basis.

Since its inception on January 1, 2001, the fund's ending wealth is $6.04 per dollar of original investment, 16.5% higher than the S&P 500 index's ending wealth of $5.18 per dollar invested. The graph below illustrates the return of a $1,000,000 investment at inception of the fund, if it were invested in the portfolio or the S&P500.



Returns over the short and long-term are both encouraging. The following tables present performance for the fund versus the S&P 500 index over various time frames.



Year-to-date (through March 31, 2022), the fund has outperformed the S&P 500.

The following table shows total net returns of the fund versus the S&P 500 index by year since the fund's inception. Since inception, average value added, or excess return, is -.04 percent.

Period	Fund Returns	S&P 500 Returns	Value Added	Period	Fund Returns	S&P 500 Returns	Value Added
2001	-3.06%	-11.89%	8.82%	2012	16.87%	16.00%	.87%
2002	-13.51%	-22.10%	8.59%	2013	26.21%	32.39%	-6.18%
2003	21.30%	28.68%	-7.38%	2014	19.35%	13.69%	5.66%
2004	11.63%	10.88%	0.75%	2015	3.52%	1.38%	2.14%
2005	12.71%	4.91%	7.80%	2016	.96%	11.96%	-11.00%
2006	6.30%	15.79%	-9.49%	2017	26.82%	21.83%	4.99%
2007	6.80%	5.50%	1.30%	2018	-7.81%	-4.38%	-3.43%
2008	-38.10%	-37.00%	-1.10%	2019	36.90%	31.49%	5.41%
2009	25.07%	26.46%	-1.39%	2020	29.27%	18.40%	10.87%
2010	9.24%	15.06%	-5.82%	2021	31.87%	28.71%	3.15%
2011	-.49%	2.11%	-2.60%	(YTD) 2022	-1.56%	-4.59%	3.03%
				Annualized	**8.83%**	**8.05%**	**0.78%**

Based on monthly returns for the period beginning 2001 through March 31, 2022 the fund produced a higher Sharpe ratio, which indicates that it outperformed the S&P 500 index on a risk-adjusted basis.

Since Inception	Fund	S&P500
Sharpe Ratio	.50	.45
Information Ratio	.13	n/a
Standard Deviation	15.00%	14.9%

LARGE CAP - PORTFOLIO PERFORMANCE SUMMARY

The following table presents performance metrics for the fund versus the S&P 500 index since inception through March 31, 2022.

Sector	Average Weight (%)		Total Return (%)		Contribution to Return	Performance Attribution			
	Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Allocation Effect	Stock Selection	Interaction Effect	Total Effect
Communications Services	10.34	10.69	-0.80	-0.95	0.39	0.09	0.26	-0.20	0.15
Consumer Discretionary	10.86	12.28	-19.94	9.59	-2.16	0.11	-4.31	0.69	-3.51
Consumer Staples	6.15	5.91	39.40	16.12	2.25	0.07	1.43	-0.04	1.46
Energy	3.28	2.92	69.40	64.31	1.97	0.30	0.09	-0.04	0.35
Financials	10.56	11.32	4.53	14.76	0.69	0.14	-1.06	-0.06	-0.99
Health Care	13.10	13.11	45.14	18.97	5.55	0.17	3.18	0.19	3.54
Industrials	7.80	8.24	14.54	6.04	0.36	0.08	0.91	-0.56	0.43
Information Technology	25.47	27.77	36.96	20.91	8.46	-0.28	4.36	-0.29	3.79
Materials	3.25	2.58	26.26	13.87	0.92	-0.05	0.37	0.05	0.37
Real Estate	5.23	2.61	31.03	25.77	1.84	0.27	0.18	-0.04	0.41
Utilities	2.79	2.52	25.66	19.78	0.67	-0.01	0.17	0.01	0.16
Unassigned	0.86	0.05	13.48	17.13	0.87	-0.34	0.01	0.33	0.01
Cash	0.33	--	0.10	0.01	--	-0.02	--	--	-0.02
Total	**100.00**	**100.00**	**21.80**	**15.65**	**21.80**	**0.53**	**5.59**	**0.03**	**6.15**

The attribution chart addresses the fund's annual performance over the twelve months ending March 31, 2022. Outperformance over the period was driven primarily by the Information Technology, Health Care, and Consumer Staples sectors, partially offset by the Consumer Discretionary sector. Allocation contributed modestly, with most of the excess return driven by stock selection.

- Outperformance in the Information Technology sector was driven stock selection, notably Arista Networks, Inc. (ANET) which returned 84%, well ahead of the sector's 21% return and S&P 500's 16% return. Additionally, Visa Inc. (V) returned 15% since its purchase in November, ahead of the sector's -5%% return and S&P 500's 0% return over the same period. Microsoft Inc. (MSFT) contributed, up 32% over the full period. These strong returns were slightly offset by Skyworks Solutions, Inc. (SWKS), which returned -21% over the April to November 2021 period the fund owned the stock, lagging the 18% sector return and 10% S&P 500 return.

- Outperformance in Health Care was also driven by stock selection, notably Vertex Pharmaceuticals Incorporated (VRTX) and UnitedHealth Group Incorporated (UNH). Vertex returned 39% following its purchase in November, compared to the sector's 3% return and S&P 500's -3% return over the same period. UnitedHealth Group Incorporated (UNH) returned 39% over the full year, ahead of the sector's 19% return, and the S&P 500's 16% return.

- Outperformance in the Consumer Staples sector was driven by Costco Wholesale Corporation (COST) which returned 65% compared to both the sector and S&P 500's 16% return.

- Underperformance in the Consumer Discretionary sector was driven by stock selection with Deckers Outdoor Corporation (DECK), PulteGroup, Inc.(PHM), and eBay Inc. (EBAY) all detracting. Deckers returned -34% over the November 2021 to March 2022 period the fund held the stock, compared to -8% for the sector and the S&P 500's 0% return. PulteGroup returned -7% compared to 24% for the sector and 19% for the S&P 500 prior to closing the position in November. EBAY returned -6% since its purchase in April 2021, compared to 3% for the sector and 10% or the S&P 500.

- Energy holdings including Diamondback Energy, Inc. (FANG) and Pioneer Natural Resources Company (PXD) generated the strongest absolute returns, with Diamondback up 80% since the fund's purchase in April 2021, and Pioneer up 66% over the full one-year period it was held.

SMALL CAP INVESTMENT FUND OVERVIEW

Baylor's Small Cap Investment Fund (Small Cap Fund) was established in 2016 with funds primarily sourced from contributions made by Hodges Capital Management in Dallas, Texas, a firm owned and managed by Baylor alumni.

The first investments in the Small Cap Fund were made by student analysts in the Practicum in Small Cap Investing course (Small Cap Practicum) in April 2017. Student analysts in the course manage the fund under the direction of two professors: Mr. Brandon Troegle, CFA®, CAIA®, Co-Chief Investment Officer of Hillcrest Asset Management and Mr. David Morehead, CFA®, Baylor University's Chief Investment Officer.

Through the course student analysts gain valuable hands-on experience in portfolio management, receive training in research and equity analysis of small cap stocks, deliver institutional level-of-coverage research and follow-up reports, and are exposed to current events and trends in the investment management field. The fall semester of the course introduces equity research methods, including valuation, modeling, fundamental analysis, and cultivating resources. Student analysts, in teams, complete an initiation-of-coverage research report on a firm.

As of March 31, 2022, the value of the fund stands at approximately $1.1 million.

Their research may require the team to talk to company management and to utilize various information sources including financial documents, trade associations, and competitors, customers, and suppliers of the firm. During the spring semester, a team of students competes in the Southwest Region's CFA Investment Research Challenge (IRC), while other student teams continue researching new investment opportunities for the Fund.

Baylor's CFA IRC team this year was comprised of Daniel Coxon, Ryan Boren, Hayden Strole, Daniel Stahl, and John Hollinrake. The team worked diligently for weeks on its investment analysis of Ceco Environmental Corp. (Nasdaq: CECE) and based on the quality of the report was a finalist invited to present to a panel of investment professionals who judged the IRC. The competition was intense and the presentation process very challenging, especially since it had to be made via Zoom. Additionally, we would like to thank alumnus Tyson Strauser who was the team's industry mentor. The IRC provided an opportunity for Baylor students to build on the tools learned in class, and to represent Baylor University on a large stage. See the team's analysis of Ceco Environmental at the end of this annual report.

Baylor University Team

We are very proud of the team as they earned a finalist position with over 25 schools competing.


Daniel Coxon


Ryan Boren


Hayden Strole


Daniel Stahl


John Hollinrake

Lectures and stock research were supplemented with guest speakers representing different areas of the investment field. We'd like to thank the following speakers for sharing their insights this year:

Eric Offei-Addo
Executive Director at Morgan Stanley

Jonathan Tepper
CIO at Prevatt Capital

Portfolio Management

SMALL CAP Analysts by Sector

MARKET SECTOR ASSIGNMENTS

Market Sector	Team of Analysts
Consumer Discretion **Consumer Staples** **Communication Services**	Brooks Bell Daniel Stahl * Sebastian Suarez
Financials **Real Estate** **Utilities**	Jacob Schmidt Anna Stephan Hayden Strole *
Health Care	David Dryden Michelle Paige
Industrials **Materials** **Energy**	Stephen Ferkol Preston Taylor Braden Wagner
Information Technology	John Hollinrake * Shreya Sharma Joshua Swinney

**Member of the CFA Investment Research Challenge Team*

SMALL CAP ANALYSTS - 2021 & 2022

Brooks Bell

A senior Finance and Entrepreneurship double major from Houston, Texas. He is currently a co-analyst for the consumer discretionary sector and was a co-analyst in the health care sector in the fall 2021. Upon graduation, he will be pursuing a career in finance, joining Fidelity Investments Capital Markets group as an associate in Boston, Massachusetts. In his time at Baylor, Bell was an active member of Kappa Omega Tau Service Fraternity and was involved with the Student Foundation's Alumni Relations group. In his free time, Bell enjoys traveling, golfing and fly fishing.

David Dryden

A senior Business Fellow from Wylie, Texas. He is majoring in Business Fellows, Finance, Accounting and Economics with minors in Mathematics and Corporate Communications. Dryden is serving as a co-analyst for the health care sector of the small-cap portfolio for the 2021-2022 school year. Upon graduation in May 2022, Dryden will be pursuing a master's degree in Personal Financial Planning in preparation to sit for the CFP exam and will be working at Insight Wealth Partners. In his free time, Dryden enjoys serving on his churches' media team as an audio engineer and is an active member in his local fraternity.

Stephen Ferkol

A senior Business Fellow from Peoria, Illinois. He is majoring in Business Fellows, Finance, Economics and Accounting. Ferkol is currently a co-analyst for the industrials, materials and energy sectors. He has worked as a summer risk assurance intern for KPMG in Houston, Texas. Upon graduation, he will be pursuing a career in the public accounting industry as a M&A deal advisory associate at KPMG. He plans to graduate in the fall 2022 with a Master of Accountancy.

John Hollinrake

A senior from Seattle, Washington, majoring in Finance. He was an analyst for the information technology sector in the fall and is currently participating in the CFA IRC. Upon graduation, Hollinrake will join the STAR program at Amazon Web Services in Seattle. This program is a two-year rotational program that prepares college graduates to take on an account executive role.

Michelle Paige

A Baylor Business Fellow studying Finance, Accounting, and Mathematics from Castle Rock, Colorado. This summer, Paige will intern with PricewaterhouseCoopers in Dallas, Texas, and will return to Baylor in the fall to complete her Master of Accountancy. She is pursuing a career in public accounting and will begin the CPA exam following graduation from Baylor.

Jake Schmidt

A senior from The Woodlands, Texas, majoring in Finance and Marketing. Schmidt is currently a co-analyst for the financials and real estate sector. Upon graduation, he will be pursuing a career in the commercial banking industry and plans to begin his career as a credit analyst. In his free time, Schmidt holds a leadership position American Marketing Association at Baylor and manages university sponsored social media pages.

Shreya Sharma

A senior Finance and Management Information Systems major from Houston, Texas. Sharma is currently a co-analyst for the information technology sector. Over the past summers, she has worked as a Financial Intern at the Baylor Financial Aid Office and at Karya Property Management in Houston, Texas. Upon graduation in May, she will be pursuing a career in the investment banking industry. In her free time, Sharma is an active member of Alpha Phi International Women's Fraternity.

Daniel Stahl

A senior majoring in Finance from Katy, Texas. He brings a diverse background from his internships as an investment analyst at State Farm and a credit analyst at First National Bank of Central Texas. He is currently a co-analyst for the consumer discretionary, consumer staples and telecommunications sector as well as an analyst of the CFA IRC Team. Upon his graduation in May, he will be pursuing his full-time offer in the banking industry as an associate relationship manager for Frost Bank in Austin. In his free time, Stahl is a veteran ultimate frisbee player for the Baylor club team and is an active member of the Beta Upsilon Chi Fraternity.

Anna Stephan

A junior Business Fellow from Bloomington, Illinois. She is majoring in Business Fellows, Finance and Accounting, and is currently pursuing a Master of Accountancy degree. She will graduate in May 2023 with a dual bachelor's and master's degree. Stephan is a co-analyst for the financials and real estate sectors. This upcoming summer, she will be interning at Deloitte in tax consulting. She wishes to begin her career in public accounting. In her free time, Stephan is an active member of Kappa Alpha Theta Sorority and is a Baylor experience and admissions representative.

Hayden Strole

A junior Finance and Management major from Tomball, Texas. Strole is currently a co-analyst competing in the Student CFA Research Competition. This summer, he will be interning as an acquisitions and development analyst for LGI Homes. After graduation, he hopes to work for a real estate development and investments group. In his free time, Hayden is a personal trainer at Body Hack Labs and serves on the executive board of Delta Tau Delta Fraternity.

Sebastian Suarez

A senior Business Fellow from Houston, Texas. He is majoring in Business Fellows, Finance and Economics. Suarez is currently a co-analyst for the consumer discretionary, staples and communications services sector. Upon graduation, he will be starting his career in financial services as a Commercial Banking Middle Market Analyst with J.P. Morgan Chase Co. in Los Angeles, California. In his free time, Suarez listens to, plays and writes music, as well as being an avid soccer player.

Josh Swinney

A Baylor senior Finance and Management Information Systems major from Littleton, Colorado. He is currently a co-analyst for the information technology sector. Swinney has previously interned with Kodiak Building Partners and plans to pursue a career in investment banking or portfolio management. In his free time, Swinney enjoys spending time with friends and family and is a member of Pi Kappa Phi Fraternity.

Preston Taylor

A senior Business Fellow graduating in the spring of 2022 with his Master of Accountancy, majors in Finance and Accounting, and minors in Mathematics and History. He is currently a co-analyst for the industrials, materials and energy sector and, after completing the CPA exam, has plans to work with PwC Dallas in their Tax Services department. Taylor served on the executive board of Phi Kappa Chi fraternity and is a native of Arlington, Texas.

Branden Wagner

A senior Business Fellow from Tulsa, Oklahoma. He is currently a co-analyst for the energy, industrial and materials sectors. He is majoring in Economics, Finance and Mathematics. Upon graduation, he plans to attend graduate school to obtain his Ph.D. in Economics.

SMALL CAP

Investment Advisory Committee

We would like to express gratitude to our Investment Advisory Committee for their time, guidance, and support.

Alexandra Baker
Twine

Brandon Bingham, CFA®
Cowen Inc.

Ben Carl, CFA®
Simmons Energy

Douglas Cartwright, CFA®
Kornitzer Capital Management

Matthew East
ComboCurve, Inc.

James Falbe, CFA®
Saguaro Capital Management

Taylor Finch, CFA®
Finch Capital Management LLC

Frits Jonker
Intermountain Ventures

Kyle Mills
Triangle Peak Partners

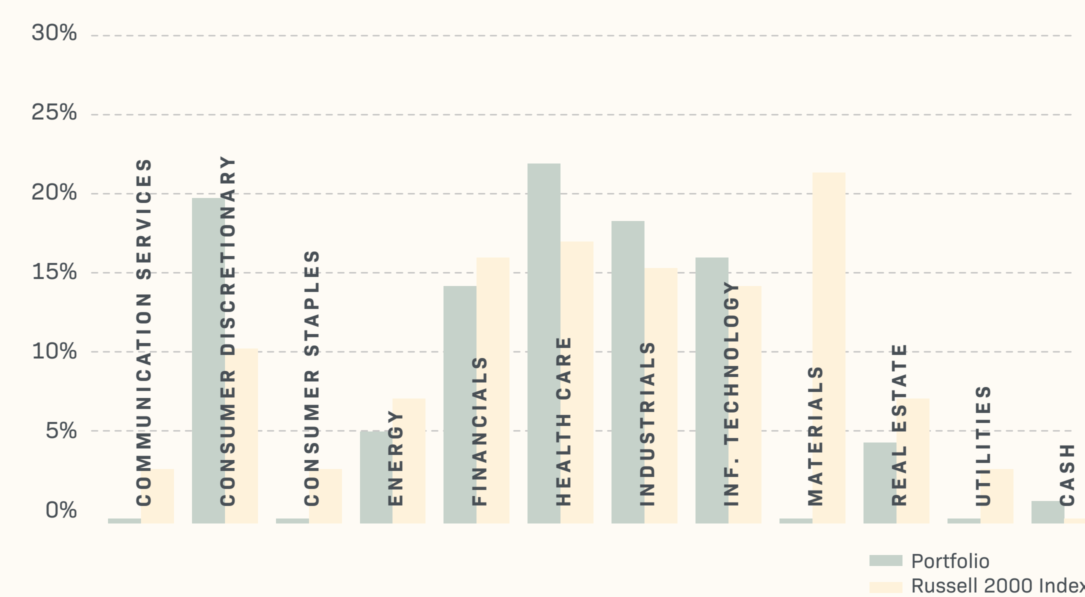
Tyson Strauser, CFA®
KingsPriest Holdings, LLC

SMALL CAP FUND HOLDINGS

LISTED BY WEIGHTS WITHIN RUSSELL 2000 INDEX

Sector	Portfolio	Russell 2000 Index	Difference
Communication Services	0.0%	3.2%	-3.2%
Consumer Discretionary	19.5%	10.2%	9.4%
Consumer Staples	0.0%	3.5%	-3.5%
Energy	5.3%	6.7%	-1.4%
Financials	14.0%	15.9%	-1.9%
Health Care	21.7%	16.6%	5.1%
Industrials	17.6%	15.5%	2.1%
Information Technology	16.2%	13.7%	2.5%
Materials	0.0%	4.0%	-4.0%
Real Estate	4.9%	7.8%	-2.9%
Utilities	0.0%	3.0%	-3.0%
Cash	0.8%	0.0%	0.8%
	100.0%	**100.0%**	**0.0%**

PORTFOLIO VS. RUSSELL 2000 INDEX



SMALL CAP - FUND HOLDINGS

ALAMO GROUP
Sector Industrials
Industry Machinery
Weight 4.5%

ENSIGN GROUP
Sector Health Care
Industry Health Care Providers & Services
Weight 6.4%

PATRICK
Sector Consumer Discretionary
Industry Auto Components
Weight 4.2%

AMN Healthcare
Sector Halth Care
Industry Health Care Providers & Services
Weight 4.5%

CENTRAL PACIFIC FINANCIAL
Sector Financials
Industry Banks
Weight 5.9%

ESSENTIAL PROPERTIES
Sector Real Estate
Industry Equity Real Estate Investment Trusts
Weight 5.7%

PREFERRED BANK
Sector Financials
Industry Banks
Weight 4.7%

ATLAS AIR WORLDWIDE
Sector Industrials
Industry Air Freight & Logistics
Weight 8.6%

GIBRALTAR INDUSTRIES
Sector Industrials
Industry Building Products
Weight 2.7%

progyny
Sector Health Care
Industry Health Care Providers & Services
Weight 8.1%

QUALYS
Sector Information Technology
Industry Software
Weight 8.1%

Halozyme
Sector Health Care
Industry Biotechnology
Weight 6.1%

KONTOOR
Sector Consumer Discretionary
Industry Textiles Apparel & Luxury Goods
Weight 4.0%

SMP Standard Motor Products, Inc
Sector Consumer Discretionary
Industry Auto Components
Weight 5.4%

stewart
Sector Financials
Industry Insurance
Weight 5.6%

ENCORE WIRE CORPORATION
Sector Industrials
Industry Electrical Equipment
Weight 4.6%

LUMENTUM
Sector Information Technology
Industry Communications Equipment
Weight 5.1%

VISTA OUTDOOR
Sector Consumer Discretionary
Industry Leisure Products
Weight 4.8%

Cash 0.88%

SMALL CAP PORTFOLIO PERFORMANCE SUMMARY

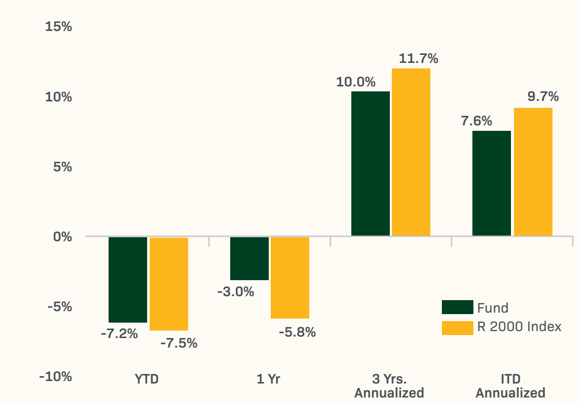
The objective of the student managed Small Cap Investment fund is to outperform the Russell 2000 Index on a long-term basis.

At the fund's inception in April 2017 the initial investments were made in five stocks, with the remaining funds invested in the iShares Russell 2000 ETF. The decision was made to buy the ETF for small cap equity market exposure instead of holding a large cash balance while the portfolio was being invested. The intention was to replace this with stock holdings as quickly but as judiciously as possible. Over time the iShares Russell 2000 ETF was sold down as the fund added equity holdings, and the last of the initial ETF position was sold in January 2020.

After trailing the benchmark in the initial years, the fund has performed better recently including outperforming the benchmark five of the last six quarters. Performance has been notably strong in down markets, outperforming in two-thirds of down quarters.

Period	Fund Returns	Russell 2000 Returns	Value Added
(partial yr.) 2017	5.33%	10.68%	-5.19%
2018	-10.82%	-11.01%	0.20%
2019	18.03%	25.52%	-7.50%
2020	14.21%	19.96%	-5.75%
2021	21.96%	14.82%	7.14%
(YTD) 2022	-7.24%	-7.53%	0.29%
Annualized	**7.58%**	**9.67%**	**-2.09%**

Year-to-date through March 31, 2022, the fund has returned -7.24% compared to -7.53% for the Russell 2000 Index. The following table shows total returns of the fund versus the Russell 2000 index by year since the fund's inception.



SMALL CAP - PORTFOLIO PERFORMANCE SUMMARY

The following table presents performance metrics for the fund versus the Russell 2000 index since inception through March 31, 2022.

Sector	Average Weight (%)		Total Return (%)		Contribution to Return	Performance Attribution			
	Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Allocation Effect	Stock Selection	Interaction Effect	Total Effect
Communication Service	5.32	3.12	9.96	-5.23	0.79	-0.27	-0.96	0.87	1.56
Consumer Discretionary	18.01	12.16	-18.96	-17.16	-4.00	-1.07	-0.19	-0.41	-1.67
Consumer Staples	--	3.32	--	-3.08	--	-0.09	--	--	-0.09
Energy	3.70	4.25	-37.68	66.92	-1.29	-0.22	-3.86	0.24	-3.84
Financials	11.77	15.90	3.93	0.67	0.53	-0.01	0.71	-0.07	0.64
Health Care	17.56	18.65	-11.75	-29.14	-1.90	1.00	3.86	-0.84	4.02
Industrials	18.87	15.13	-0.50	1.39	0.16	0.41	-0.22	0.16	0.35
Information Technology	16.36	13.58	19.02	-4.65	2.76	0.08	3.22	0.21	3.51
Materials	--	4.01	--	2.28	--	-0.30	--	--	-0.30
Real Estate	6.60	6.94	1.25	12.11	0.15	-0.09	-0.54	0.06	-0.57
Utilities	--	2.63	--	10.18	--	-0.41	--	--	-0.41
Unassigned	1.22	0.32	-8.98	12.38	-0.25	0.35	0.02	-0.44	-0.06
Cash	0.39	--	--	--	--	-0.40	--	--	-0.40
Total	**100.00**	**100.00**	**-3.04**	**-5.79**	**-3.04**	**-1.02**	**3.97**	**-0.20**	**2.75**

Over the twelve months ending March 31, 2022, the fund returned -3.0% compared to -5.8% for the Russell 2000 Index, outperforming the index by 2.8%. Stock selection was positive while allocation detracted approximately 100 basis points, with an overweight position in the underperforming Consumer Discretionary sector having the biggest impact. The Health Care and Information Technology sectors were the most notable contributors to the portfolio's outperformance, and the Energy sector was the notable detractor. From an industry perspective an underweight position in biotechnology stocks and overweight position in transports helped the portfolio, while a lack of meaningful exposure to exploration & production companies for much of the year hurt performance. Notes on individual positions with meaningful impacts follows.

Top Contributors:

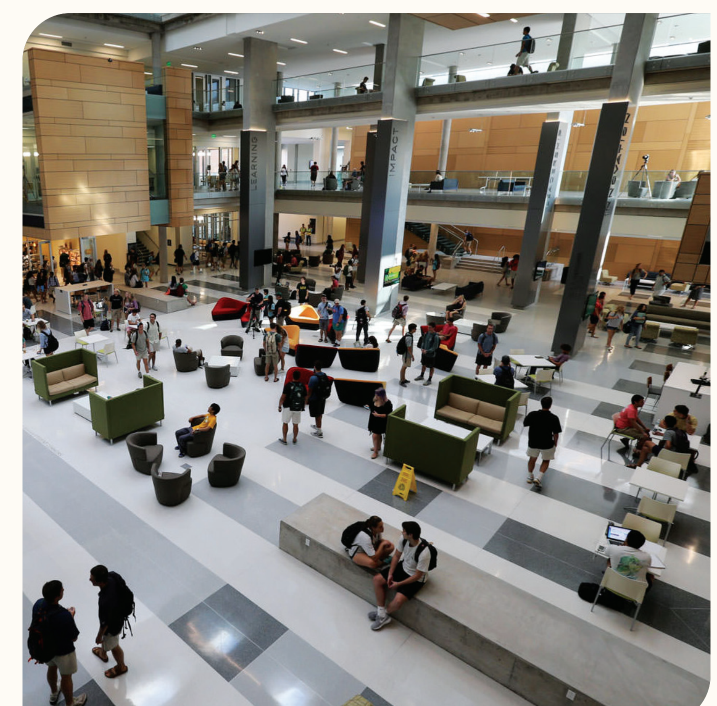
- Saia, Inc. (SAIA) returned 43% compared to the benchmark's 0% return and the 6% return for the Industrials sector prior to closing the position in November.
- Atlas Air Worldwide Holdings, Inc. (AAWW) returned 43% compared to the benchmark's -6% return and the 1% return for the Industrials sector.
- Qualys, Inc. (QLYS) returned 36% compared to the benchmark's -6% return and the -5% return for the Information Technology sector.
- Progyny, Inc. (PGNY) returned 26% compared to the benchmark's 1% return and the 1% return for the Health Care sector since the stock was purchased in February.
- Preferred Bank (PFBC) returned 19% compared to the benchmark's -6% return and the 1% return for the Financials sector.
- TEGNA, Inc. (TGNA) returned 7% compared to the benchmark's -10% return and the -14% return for the Communications Services sector prior to closing the position in February.

Top Detractors:

- Gibraltar Industries, Inc. (ROCK) returned -53% compared to the benchmark's -6% return and the 1% return for the Industrials sector.
- Renewable Energy Group, Inc. (REGI) returned -38% compared to the benchmark's -6% return and the 45% return for the Energy sector during the April 2021 to February 2022 period the fund held the stock.
- Patrick Industries, Inc. (PATK) returned -28% compared to the benchmark's -6% return and the -17% return for the Consumer Discretionary sector.
- Malibu Boats, Inc. (MBUU) returned -27% compared to the benchmark's -6% return and the -17% return for the Consumer Discretionary sector.
- Collegium Pharmaceutical, Inc. (COLL) returned -38% compared to the benchmark's -6% return and the -29% return for the Health Care sector.





STUDENT Research Report

Completed for the 2022 CFA Investment Research Challenge by the IRC team:

Ryan Boren
Daniel Coxon
John Hollinrake
Daniel Stahl
Hayden Strole

CECO ENVIRONMENTAL

February 6, 2022

Student Research
NYSE: **CECE**

Financial Profile	
Total Enterprise Value	$279.10
Total Debt (M)	$ 77.20
Debt/EBITDA	2.9
EV/Sales	0.9
EV/EBITDA	13
EBITDA Margin	7.4
Price to Earnings (TTM)	11.44
PEG Ratio (using FY1 P/E)	1.6
Dividend Yield	N/A
Return on Equity	1.0%

Key Risks

#1 Valuation Risk

Based on our insights, sellers should be concerned about the potential upside from our valuation. Similarly, increases in revenue and stronger potential margins could deteriorate

#2 Firm Risk

Sellers should be aware that the company has a large backlog, ESG driving demand, and a strong leverage ratio. These factors could lead to a stock price increase; however, our team finds this unlikely.

#3 Market Risk

Management has expressed that CECO's performance is correlated with oil prices, so the company could benefit from a rise in oil prices. CECO has faced recent struggles from supply chain disruptions. Our team projects that these issues are still being unresolved and further hinder the pace of CECO's growth expectations.

Investment Recommendation

CECO is rated as a SELL based on its unfavorable valuation, unstable financial performance, inability to grow organically, and its dependence on sub-contractors and customers.

Key Points

Unfavorable Valuation

Our six valuation frameworks have led us to a base case price target of $4.80. CECO is currently trading at **$5.87** which indicates that the stock is overvalued relative to its current price. Our valuations give the stock a downside potential of **22.3%,** which leads us to our SELL recommendation.

Unstable Financial Performance

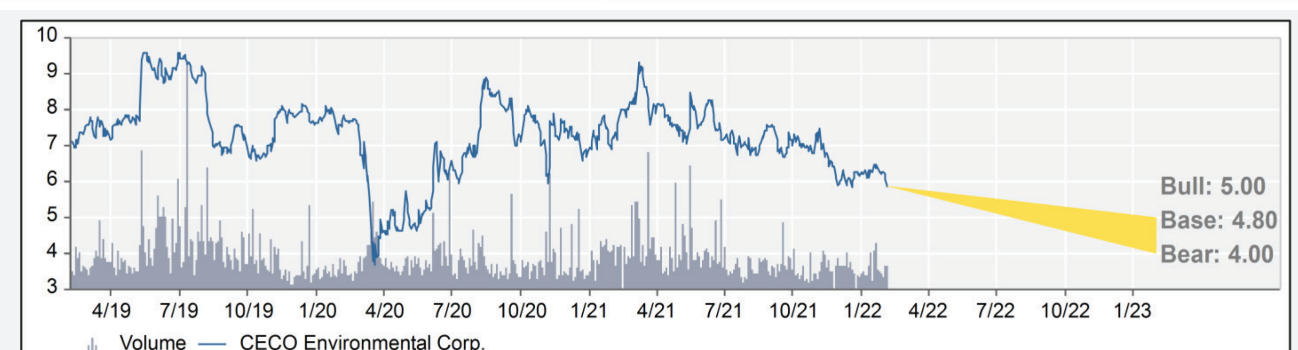
Historically, CECO has had a wide range of earnings quarter to quarter. Over the past three years, the company has had quarterly earnings ranging from -$12,915M to $8,397M. We believe this instability in earnings can pose a threat to the company's ability to manage new M&A projects and pay down its debt. We expect that earnings will continue to have a high variance due to the nature of CECO's business.

Inability to Grow Organically

CECO's segments have been up and down over the past 10 years. The company's overall revenue growth has been -18% from 2016 to 2019. Covid caused more declines in revenue for the years 2020 and 2021. We project the 5-year revenue growth rate to be 1%. A key indicator of organic growth is the book-to-bill ratio. Our model shows CECO's book-to-bill will remain flat going forward.

Dependence on Sub-contractors and Customers

CECO outsources most of its work to subcontractors. This means that the company has minimal control over the quality and timeliness of its projects. CECO also runs the risks of subcontractors raising pricing or going out of business. This increases CECO's risk profile. Additionally, CECO is dependent upon its customers. If customers have supply chain problems, this will cause them to delay projects with CECO.



Investment Thesis

Unfavorable Valuation

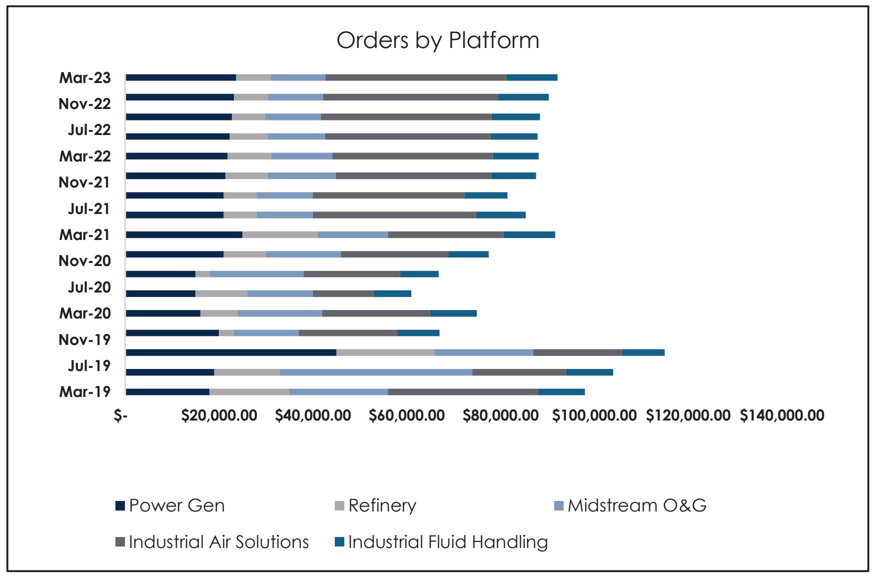
Based on the following methods: Trading comparables, transaction comparables, DCF, and stochastic analysis, we set a base case price target of $4.80. This would give an investor a 22.3% downside to CECO's stock. Our bull case sets a stock price of $5.00 which still has a downside 17.4%. The bear case has downside of 46.75% at a target price of $4.00.

CECO's Finance Performance has been Unstable Historically

The past three years, the company's net income has ranged from -$12,915M to $8,397M, quarterly. This is because contacts contain factors beyond CECO's control, leading to inconsistent earnings. This is intensified when CECO gets projects that are larger than usual. A large amount of CECO's costs are fixed, so changes in earnings heavily affect the company's quarterly performance. Management stated that this trend is expected to continue for the foreseeable future and our team's forecasts supplement the challenges of the stability earnings.

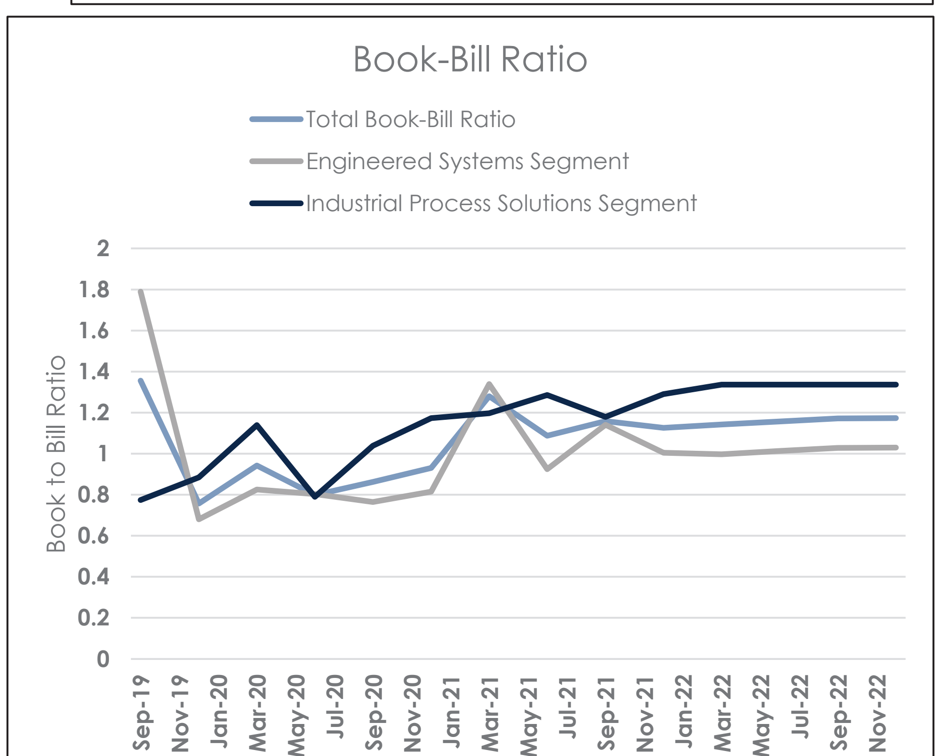
Inability to Grow Organically

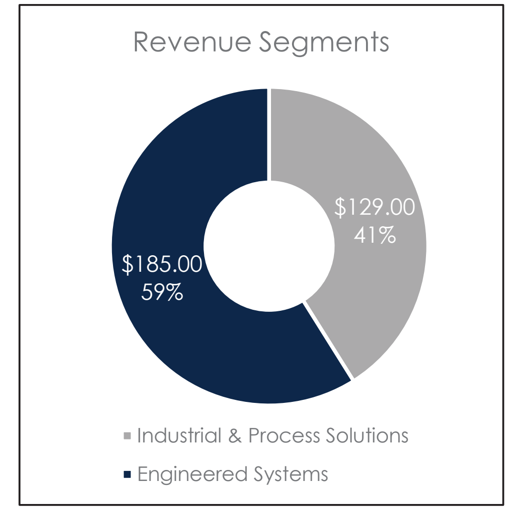
CECO's current product offerings have not been able to show substantial organic growth. Over the past five years, CECO's revenues have decreased by 101M. Ignoring Covid-affected years, CECO has seen its revenue growth be at -18%, causing management to pursue a risky M&A growth strategy. Through the undertaking of an aggressive inorganic growth model of programmatic acquisitions projects, CECO has faced divestitures that have resulted in losses. Our team predicts that the company will continue to struggle to see organic growth. One of the company's focal points is to grow its shorter cycle mix to potentially expand its economies of scale in fragmented markets. The lack of organic growth can be seen in the company's book-to-bill ratio which historically remained stagnant and our team predicts this trend will continue.



Dependence on Subcontractors and Customers

The use of subcontractors decreases the control over the performance of the functions provided by CECO and could result in project delays, escalated costs, and inadequate quality. Due to subcontracting comprising a large majority of total costs, this could lead to adverse financial stability. In addition, many of CECO's competitors, who have greater financial resources and bargaining power, use the same subcontractors that CECO uses and could potentially influence the ability to hire these subcontractors. Any changes in the relationship with subcontractors may affect the efficiency of the company's operational prowess. CECO also is dependent on its customers. The company's customers come from a variety of different energy and manufacturing industries that have been widely affected by the inefficiencies of supply chain as well as macroeconomic forces that may drive these customers to decrease the output of their projects and lower the demand for CECO's solution.



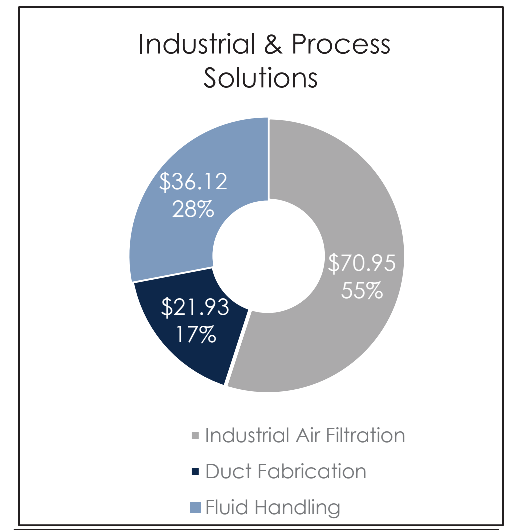


Business Overview

CECO Environmental Corp. is a global leader in industrial air quality and fluid handling, with an asset-light business model that serves the energy, industrial, and other specialty sectors. Through its many subsidiaries, CECO provides innovative technology and application knowledge to help firms build their businesses while also protecting our common environment through safe, clean, and efficient solutions. CECO was created in 1966 by Peter DeZwirek and is headquartered in Dallas, Texas.

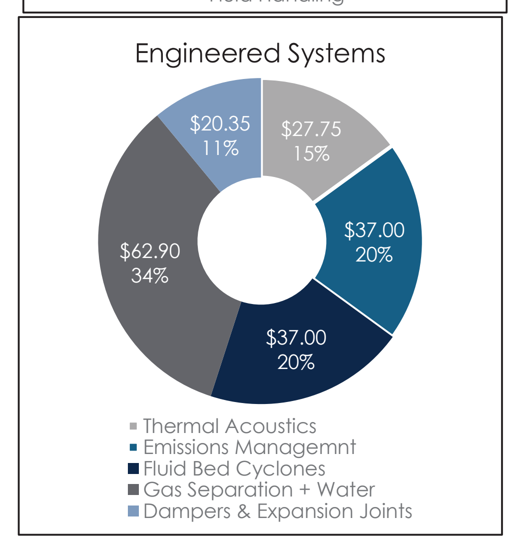
Product Segments

CECO reorganized its business segments in the first quarter of 2021 to Industrial & Process Solutions and Engineered Systems, which were historically segmented into Energy Solutions, Industrial Solutions, and Fluid Handling. The company determined that a realignment of business segments was necessary to represent the products and solutions provided to its end markets. Industrial & Process Solutions is 40% of revenue ($129M) and includes industrial air filtration, duct fabrication, and fluid handling. The other 60% of revenue ($185M) is derived from the Engineered Systems segment, which includes dampers & expansion joints, emissions management, fluid bed cyclones, gas separation + water, and thermal acoustics. All platforms had 2021 order growth of 17% or higher except for water separation/filtration, which decreased by (43%). This is because Covid-19 caused companies to decrease their CAPEX budgets. Our team expects water separation/filtration to see some growth in 2022 as companies increase their CAPEX budgets and we predict that the other segments will see a decrease in growth. The best performing segments emissions management and industrial air with orders up 118% and 79%. This growth occurred as CECO recovered from Covid-19 and our team expects growth to flatten during 2022.



Company Strategy

CECO Environmental is a leader in each segment of business having the #1 or #2 brand in their respective markets. CECO has focused on maintaining a diversified customer base with 71% coming from Americas, 12% coming from Europe, 11% coming from Asia, and 6.1% coming from Africa. CECO's management hopes to look for further investment opportunities with YTD orders up on every platform besides water separation/filtration. The company plans to use this increase in demand as an opportunity to increase EBITDA margins back to 10%. CECO also plans to invest in its aftermarket business, which produces a higher margin than its other segments. One point of focus is for company leadership to execute on an M&A strategy to achieve strong revenue growth. Finally, the company plans to invest in achieving high scores in all aspects of its ESG report.



Acquisition of GRC

On Jan. 10, 2022, CECO announced that it has agreed to acquire General Rubber LLC. The transaction is expected to close by April 2022 with a purchase price of approximately $24 million, financed through a mix of cash, debt, and equity from the joint venture. The acquisition will expose the company to a more broadly diversified customer base in expansion joints and flow control products, as well as expand their existing offerings in the area. Current president and CEO of GRC, Lloyd Aanonsen, will be joining CECO as the new vice president and general manager of the damper and expansion joints platform. Adding GRC to its brand portfolio will take the addressable market size of CECO from $200 million to $500 million. We believe that CECO is trying to buy its way out of its declining revenue growth while exposing the company to more areas of business it has little foothold in. From our team's perspective, the best acquisitions moving forward for CECO would be ones with their subcontractors and other private competitors in their larger revenue segments such as industrial air filtration.

Stock Repurchase Program

The board of directors authorized a stock repurchase program on Aug. 3, 2021, allowing CECO to purchase up to $5 million (2.0% based on stock price of $7.04) of its outstanding common shares. All $5 million in shares were repurchased by

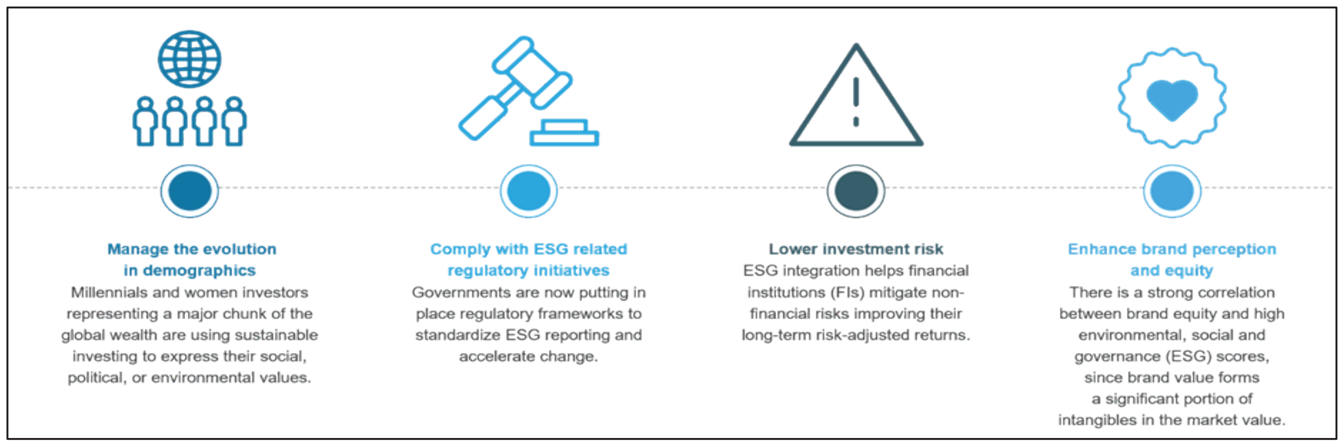
December of 2021. We believe the stock buyback reflects the management team's confidence in their current position. Our team believes CECO's mindset is to continue being aggressive and strategic with their redeployment of capital to shareholders while keeping company leverage low and potential M&A activity growth at the forefront.

Industry Overview and Competitive Positioning

With pollution laws increasing, companies in the air quality and fluid handling industry expect their markets to grow. Consensus estimates expect the air quality CAGR to be 6.3% and fluid handling CAGR to be 4.61% over the next 5 years. CECO serves a growing $8 billion-dollar global market that is highly fragmented and serves various end markets. The company's current market share sits at 3.48%.

Demand Drivers

Demand for this industry is driven by the regulatory environment, global economic conditions, and worldwide industrialization. The large push for ESG regulation among fortune 500 companies explains the broad and diverse list of customers CECO boasts, including names such as Amazon, Tesla, Exxon Mobil, and Chevron. We believe that in the current economic climate, it would be beneficial for CECO to focus more on their high-growth customers and reach for bigger contracts with growing companies such as Amazon and Tesla. Putting less investment into companies such as Exxon Mobil and Chevron could be beneficial, as each new industry requires new innovation and R&D costs from CECO. The Company



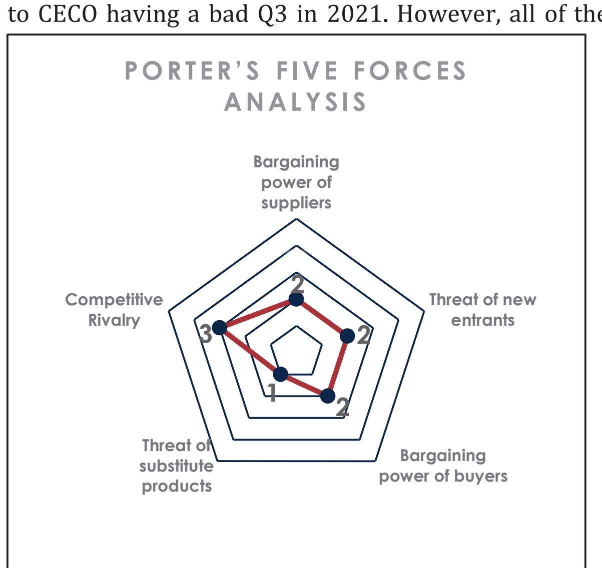
has shown to spread itself too thin in recent years.

Regulatory Environment

Governments around the world have continued to increase regulations on pollution, which is helping to expand the market for air quality and fluid-handling solutions. CECO does have an opportunity to capitalize on growing ESG policies, but this is a volatile upside due to constant changes in the geopolitical landscape and policy makers' extended timeline on such policies. If policy makers were to push more environmental protection laws for corporations, CECO's sales would increase.

Global Economic Conditions

Covid-19, supply chain disruptions, and inflation have had a negative impact on the air quality and fluid-handling industry. The virus caused delayed projects and lower order volume for CECO and its competitors. Supply chain disruptions caused project delays, leading to lower revenues. Inflation cut into fixed contract pricing, which lowered company margins. This led to CECO having a bad Q3 in 2021. However, all of these factors have caused a buildup in CECO's backlog, which will be recognized in 2022 as the macroeconomic environment becomes friendlier.



Worldwide Industrialization

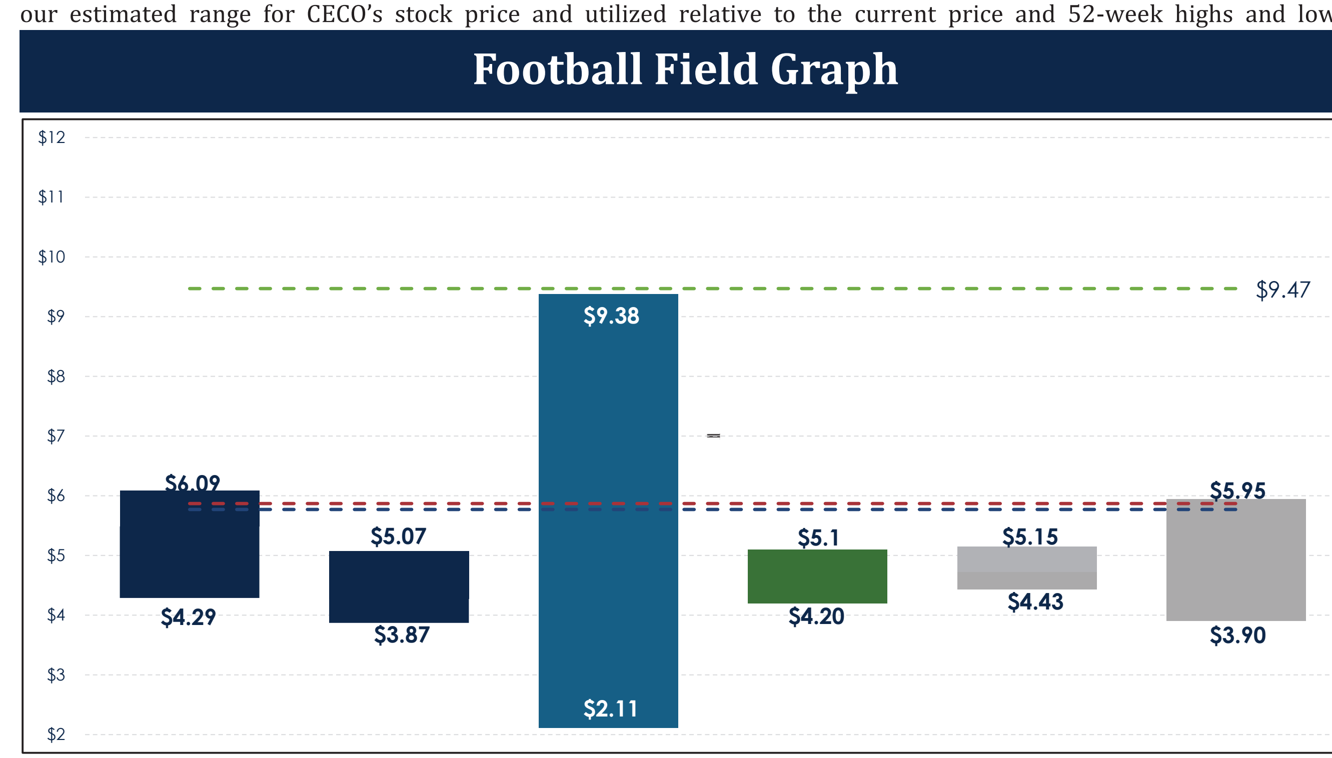
Emerging markets are expanding their manufacturing footprint, which will lead to more demand for industrial ventilation. As these countries become more established, their governments will implement stricter environmental policies, leading to further growth. CECO currently has the majority of its business in the U.S., so it will struggle to gain market share in emerging markets.

Competitive Positioning

CECO's main competitive advantage comes from being a complete solution provider. The highly fragmented market lacks companies that offer end-to-end solutions. However, CECO does offer everything a customer needs from engineering and project management to aftermarket support. The company competes with local, regional, and national companies on the basis of price, performance, speed of delivery, quality, customer support, and single source. Having a large geographical footprint where foreign sales comprise of about 35% of total sales strengthens the economies of scale against its competitors. Also, the company has been serving its industry for over 50 years, so it has long-standing relationships with important suppliers and customers.

Valuation

In our analysis of CECO's current market position, historic financial performance, competitive positioning and expected future performance, we determined approximate valuation multiples using various valuation methods including trading comparables, precedent transactions, sum of all the parts, EPS and perpetuity growth (Gordon-growth model) and EV/EBITDA exit multiple discounted cash flow (DCF) valuations. Through these valuation methods, we have determined CECO's current stock price is overvalued and projected the intrinsic price based on our estimates to be in the range of $4.00 to $5.00 with an estimated price of approximately $4.80 based on our valuation models. in the following graph, we illustrate our estimated range for CECO's stock price and utilized relative to the current price and 52-week highs and lows.



Trading Comparables (Sum-of-the-Parts)		Transaction Comparables	Stochastic Analysis	Discounted Cash Flow	
Based on 2020A Revenue of $308.3M and multiples between 3.5x - 6.5x	Based on 2021E Adj. EBITDA of $25,200K and multiples between 7x - 9.5x	Based on LTM 3Q21 Adj. EBITDA of $25M and multiples between 5x and 10x	Monte Carlo Simulation incorporated sensitivity in varios inputs (growth rate)	Discounted at 9.5% - 10.5% with a Terminal Growth Rate from 2.25% to 2.65%	Discounted at 9.5% - 10.5% with a Terminal Multiple of 6.0x - 7.0x

From the Football Field Graph above, we have determined that the stock price is current underweight and based on our valuation methods should be within the range of $4.00 to $5.00 as shown through the convergence of our valuations around our estimated range.

Revenue Model

Referenced in the appendix, we used historical trends and economic factors to project orders booked and revenue by platform for CECO's two business segments, engineered systems solutions and industrials process segment. We analyzed the Company's financial performance on a quarterly base and projected orders booked, revenue billing and collection periods for the seven platforms CECO addresses. We observed the two-year moving average growth rate for each of CECO's platforms as well as other industry risks mentioned in the Company's financial reports and presentation when determining the quarterly growth rate for each of CECO's platforms. The following list outlines some of the key factors addressed in our model by platform and projects our orders booked for the projected quarters.

After determining quarterly growth rates, we determined the orders booked per quarter and used the Company's historical average for cycle length for each of its platforms to determine the quarter in which the revenue from each fixed-contract project would be collected. We determined that the average collection for long-cycle projects ranges from 12-18 months, mid-cycle projects range from 6 to 12 months and short-cycle projects range for 3 months. Based off these estimates, we assumed revenue would be collected equally across its collection period and have calculated sales per platform on a quarterly basis with more accurate sales projection towards in the near-term due to the nature of their order backlog.

Discounted Cash Flow

The following table shows our calculation of intrinsic share price using both DCF valuation techniques and how we calculated our Weighted Average Cost of Capital using the Capital Asset Pricing Model (CAPM). We have identified that for both of these valuations, share price is overpriced relative to the current price.

CECO Environmental — Worst-Case Scenario
Discounted Cash Flow Valuation — Perpetuity Growth Method
($ in thousands)

	0	1	2	3	4	5
	For the Projected FYE 12/31,					
	2021E	2022E	2023E	2024E	2025E	2026E
Revenue by Segment:						
Engineered Systems Segment	$ 174,862.7	$ 166,203.0	$ 161,064.4	$ 162,442.2	$ 164,276.7	$ 166,555.4
Industrial Process Solutions Segment	133,488.3	136,361.8	150,517.9	166,143.6	183,391.4	202,429.8
Total Revenue	$ 308,351.0	$ 302,564.8	$ 311,582.3	$ 328,585.8	$ 347,668.2	$ 368,985.2
% Growth	(2.4%)	(1.9%)	3.0%	5.5%	5.8%	6.1%
Adjusted EBITDA	**$ 24,962.8**	**$ 24,494.4**	**$ 25,224.4**	**$ 26,601.0**	**$ 28,145.8**	**$ 29,871.5**
Adjusted EBITDA Margin	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%
(-) Depreciation and Amortization	8,367.5	8,014.4	8,489.7	8,804.5	9,372.1	9,904.8
EBIT	16,595.38	16,479.98	16,734.78	17,796.50	18,773.66	19,966.71
(-) Tax Expense	3,217.8	3,208.1	3,242.5	3,457.9	3,644.2	3,878.5
NOPAT	13,377.63	13,271.83	13,492.24	14,338.56	15,129.50	16,088.24
(+) Depreciation and Amortization	8,367.5	8,014.4	8,489.7	8,804.5	9,372.1	9,904.8
(-) CAPEX	3,927.9	3,854.2	3,969.1	4,185.7	4,428.8	4,700.3
(-) Change in Net Working Capital	(2,014.2)	(1,141.0)	1,778.2	3,353.1	3,763.0	4,203.7
Unlevered Free Cash Flow	**$ 19,831.3**	**$ 18,573.1**	**$ 16,234.6**	**$ 15,604.3**	**$ 16,309.8**	**$ 17,089.0**
Discount to 12/31/2021	$ 19,831.3	$ 16,872.6	$ 13,397.9	$ 11,698.7	$ 11,108.2	$ 10,573.3

Terminal Value	$ 133,504.2
PV of Terminal Value	130,964.8
% of Enterprise Value	*61.1%*
Enterprise Value	**$ 214,446.9**
(-) Total Debt	77,198.0
(+) Cash	31,925.0
(-) Minority Interest	1105
Equity Value	**$ 168,068.9**
Shares Outstanding	35810
Current Market Price	$ 5.87
Implied Share Price	**$ 4.69**

Weighted Average Cost of Capital	
Cost of Debt	**2.49%**
Total Debt	$ 77,198.0
Weight of Debt	*26.9%*
Tax Rate	25.9%
Cost of Equity	**6.95%**
Total Equity	$ 210,204.7
Weight of Equity	*73.1%*
Beta	1.15
Market Risk Premium	4.4%
Risk-free Rate	1.913%
WACC without Equity Risk Premium	5.6%
Equity Risk Premium	*4.5%*
WACC	**10.08%**

Scenario Analysis

In order to account for variance in our valuations, we included scenario analysis which allowed us to manipulate the growth rates by sector to evaluate how each platform sales changes with revenue. You can see our drivers and key factors affecting our model in the appendix. These drivers caused the largest change as noted in our sensitivity analysis demonstrated in the appendix which shows that discount rate and growth rate assumptions affect our model more than the other factors we analyzed in determining our valuation. We believe these factors pose a risk in the variability of our estimated stock price model which is demonstrated through the tornado chart in the appendix.

Sum-of-the-Parts Valuation (Trading Comparables)

We performed a modified trading comparable approach that evaluates CECO relative to other publicly traded companies. As noted below, we evaluated companies related to CECO's two business segments and calculated an enterprise value using EV/EBITDA estimates and combining for a total enterprise calculation which we then used to calculate share price.

CECO Environmental
Trading Comparables (Sum-of-the-Parts Valuation)
($ in millions)

Company	Ticker	Price 2/5/2022	52 Week High	Market Cap	Enterprise Value	Revenue 2019A	Revenue 2020A	Revenue LTM	EBITDA 2019A	EBITDA 2020A	EBITDA LTM
Engineered Systems Segment											
CECO Environmental Corp.	CECE	$ 5.87	$ 9.47	$ 223.9	$ 301.9	$ 341.9	$ 316.0	$ 322.5	$ 30.2	$ 29.3	$ 31.5
						0.7x	0.7x	0.7x	7.4x	7.6x	9.6x
						--	(7.6%)	2.1%	--	(3.0%)	7.3%
EMCOR Group, Inc.	EME	$ 116.31	$ 135.98	$ 620,799.0	$ 470,137.0	$ -	$ -	$ 8,919.5	$ -	$ -	$ 641.7
						0.0 x	0.0 x	69.6x	0.0 x	0.0 x	967.4x
						--	0.0%	0.0%	--	0.0%	#DIV/0!
Advanced Emissions Solutions, Inc.	ADES	$ 6.26	$ 8.41	$ 120.74	$ 95.19	$ 70.09	$ 61.58	$ 59.26	$ (7.52)	$ (6.07)	$ (11.44)
						1.7x	2.0x	2.0x	NM	NM	NM
						--	-12.14%	-3.76%	--	-19.34%	88.50%
Babcock & Wilcox Solutions, Inc.	BW	$ 14.25	$ 10.37	$ 635.7	$ 493.0	$ 859.1	$ 566.3	$ 596.9	$ 7.3	$ 28.4	$ 33.0
						0.7x	1.1x	1.1x	86.5x	22.4x	19.3x
						--	(34.1%)	5.4%	--	286.9%	16.0%
Matrix Service Company	MTRX	$ 6.47	$ 16.32	$ 200.20	$ 220.38	$ 1,416.68	$ 1,100.94	$ 945.61	$ 56.15	$ 35.02	$ 22.30
						0.2x	0.2x	0.2x	3.9x	6.3x	9.9x
						--	(22.3%)	(14.1%)	--	(37.63%)	(36.24%)
CDT Advance Materials, Inc.	CDTI	$ 0.30	$ 0.90	$ 1.4	$ (0.4)	$ 8.8	$ 5.0	$ -	$ 0.6	$ (1.2)	$ -
						NM	NM	0.0 x	NM	0.3x	0.0 x
						--	(43.1%)	0.0%	--	(310.7%)	#N/A
		Summary of Market Multiples:									
		Maximum				1.7x	2.0x	69.6x	86.5x	22.4x	967.4x
		Minimum				NM	NM	0.0 x	NM	NM	NM
		Mean				**0.5x**	**0.7x**	**12.3x**	**13.5x**	**2.8x**	**165.9x**
		Median				**0.4x**	**0.5x**	**0.9x**	**2.0x**	**3.3x**	**9.7x**
Industrial Process Solutions											
CECO Environmental Corp.	CECE	$ 6.26	$ 9.47	$ 223.9	$ 301.9	$ 341.9	$ 316.0	$ 322.5	$ 30.2	$ 29.3	$ 31.5
						0.7x	0.7x	0.7x	7.4x	7.6x	7.1x
						--	(7.6%)	2.1%	--	(3.0%)	7.5%
Gorman-Rupp Company	GRC	$ 36.37	$ 47.12	$ 1,047.9	$ 740.2	$ 398.2	$ 349.0	$ 360.2	$ 57.6	$ 48.4	$ 50.2
						2.6x	3.0x	2.9x	18.2x	21.7x	20.9x
						--	(12.4%)	3.2%	--	(16.0%)	3.7%
Fuel Tech, Inc.	FTEK	$ 1.15	$ 5.73	$ 37.20	$ 85.60	$ 30.50	$ 22.60	$ 21.20	$ (6.50)	$ (3.30)	$ (6.50)
						1.2x	1.6x	1.8x	NM	NM	NM
						--	-25.90%	-6.19%	--	-49.23%	96.97%
Ecolab Inc.	ECL	$ 187.48	$ 238.93	$ 53,725.6	$ 67,982.8	$ -	$ -	$ 13,109.3	$ -	$ -	$ 2,512.9
						0.0 x	0.0 x	4.1x	0.0 x	0.0 x	21.4x
						--	0.0%	0.0%	--	0.0%	--
CDTi Advanced Materias, Inc.	CDTI	$ 0.28	$ 0.90	$ 1.40	$ (0.40)	$ 8.80	$ 5.00	$ 21.20	$ 0.60	$ (1.20)	$ (6.50)
						0.2x	0.3x	0.1x	2.3x	NM	NM
						--	0.00%	0.00%	--	-31070%	--
		Summary of Market Multiples:									
		Maximum				2.6x	3.0x	4.1x	18.2x	21.7x	21.4x
		Minimum				0.0 x	0.0 x	0.1x	NM	NM	NM
		Mean				**1.1x**	**1.3x**	**13.2x**	**18.1x**	**6.5x**	**168.5x**
		Median				**0.7x**	**0.7x**	**1.8x**	**2.3x**	**0.0 x**	**7.1x**

Sum-of-the-Parts Valuation:						
Engineered Systems Segment Sales	**211.185**	**210.319**	**205.494**			
Industrial Process Solutions Sales	**126.154**	**131.55**	**110.517**			
Total Sales	337.3	341.9	316.0	-	-	-
Energy Systems % of Total Sales	**62.6%**	**61.5%**	**65.0%**			
Industrial Process Solutions % of Total Sales	**37.4%**	**38.5%**	**35.0%**			
Adjusted EBITDA				**25.0**	**24.5**	**25.2**
Total Sales						
Engineered Systems Segment EBITDA				**$ 15.6**	**$ 15.1**	**$ 16.4**
Industry Process Solutions Segment EBITDA				**$ 9.3**	**$ 9.4**	**$ 8.8**
LTM Q32021 Revenue:						
Engineered Systems Segmend Enterprise Value					**10.0x**	164.0
Industrial Fluid Enterprise Value					**6.5x**	57.3
Multiples						
Total Enterprise Value					**16.5x**	**221.4x**
2021 Adjusted EBITDA:						
Engineered Systems Segmend Enterprise Value					9.7x	$ 146.7
Industrial Fluid Enterprise Value					7.1x	$ 67.0
Multiples						
Total Enterprise Value					**8.0x**	**$ 213.7**

Transaction Comparables

The following table demonstrates how we evaluated precedent transaction in valuing CECO's current stock price. Based on their historic trends, we have seen an increase in M&A activity in recent years and have utilized several of their historic transactions by evaluating their EV/EBITDA multiples and transaction price to determine a relative valuation.

Financial Analysis

Ratio Analysis

CECO's industry has bad ratios compared to other industries. The company has shown that it has better ratios than its competitors however these ratios are still poor. CECO has better profitability ratios than the rest of its industry. Its EBITDA margin sits at 9.3% and its operating margin at 6.1%. The company's debt to EBITDA is 3.2% which we expect to increase as CECO executes on its M&A strategy. The least attractive part of CECO's ratio analysis is its high P/E ratio. Its ratio sits at 112x which makes the company seem extremely overvalued which fits our overall thesis that CECO's valuation is unfavorable.

CECO Environmental
Financial Ratios Analysis

Company	Ticker	Price 2/3/2022	EBITDA Margin	Operating Margin	Earnings per Share	Price to Earnings	Debt to EBITDA	Interest/ Coverage
CECO Environmental Corp.	**CECE**	**$ 6.09**	**9.3%**	**6.1%**	**$ 0.2**	**112.0x**	**3.2%**	**5.5%**
Gorman-Rupp Company	GRC	$ 40.17	13.9%	10.2%	1.0	34.8x	0.0%	0.3%
Fuel Tech, Inc.	FTEK	$ 1.17	(14.6%)	(18.4%)	(0.2)	NM	(27.8%)	(1034.8%)
Donaldson Company, Inc.	DCI	$ 55.58	17.3%	14.0%	2.2	23.7x	1.0%	30.7%
Advanced Emissions Solutions, Inc.	ADES	$ 6.61	(9.9%)	(23.7%)	(1.1)	2.1x	31.5%	(3.7%)
Babcock & Wilcox Enterprises Inc	BW	$ 7.28	5.0%	1.2%	(0.2)	NM	4.9%	0.1%
Matrix Service Company	MTRX	$ 7.12	(2.8%)	(5.5%)	(1.2)	NM	(61.9%)	(23.7%)
CDTi Advanced Materials, Inc.	CDTI	$ 0.30	(24.9%)	(30.1%)	(0.3)	NM	#N/A	#N/A
Summary of Peer Group Ratios:								
Maximum		55.58	17.3%	14.0%	2.2	34.8x	31.5%	30.7%
Minimum		1.17	(14.6%)	(23.7%)	(1.2)	NM	(61.9%)	(1034.8%)
Mean		**19.66**	**1.5%**	**(3.7%)**	**0.1**	**3.1x**	**(8.7%)**	**(171.8%)**
Median		**7.20**	**1.1%**	**(2.1%)**	**(0.2)**	**NM**	**0.5%**	**(1.8%)**

Financial Performance

Weak EBITDA growth

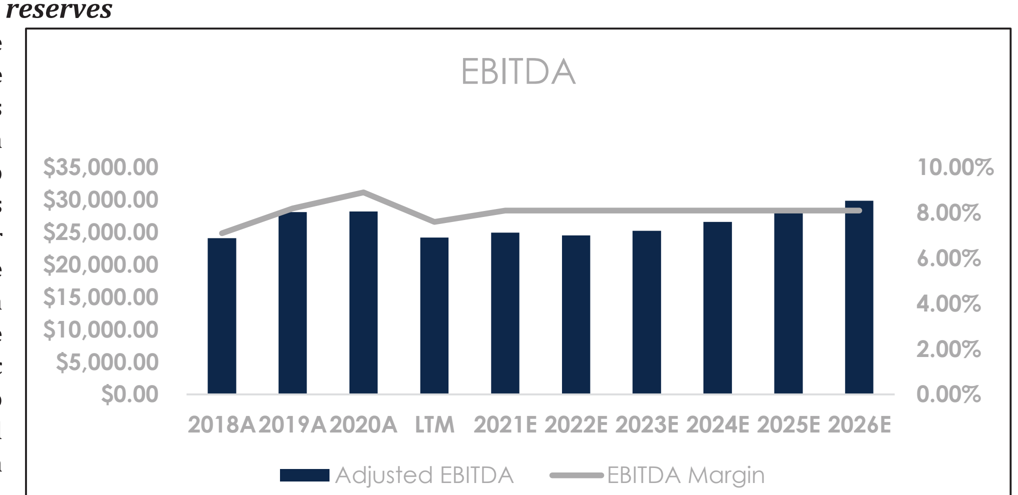
CECO has struggled to consistently increase EBITDA over the past five years. This combined with a flat EBITDA makes for CECO to achieve little to no organic growth. Our revenue model shows that these trends are expected to continue through 2026.

Poor M&A integration

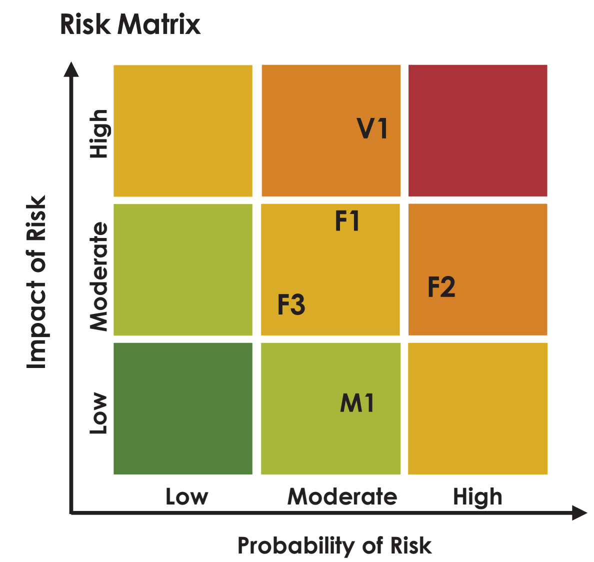
From 2007 to 2015 CECO's leadership made a number of acquisitions fueling growth which peaked in 2016. Management's poor M&A integration can be seen in the years following 2016. In 2017 CECO is forced to cut its dividend because of a decline in revenues and earnings. In 2018 and 2019 CECO divests Keystone filters and Zhongli. CECO plans to resume this risky strategy of growth via acquisitions in 2022. This strategy will require management to add debt to the balance, increasing the risk of owning CECO's stock.

All time low free cash flow reserves

CECO had its lowest ever free cash flow in 2020. The company has been using its cash reserves to pay down company debt. From 2016 to 2020 free cash flow has decreased by 99.30%. Our team sees this as a hinderance to CECO, as it will try to take on more debt to acquire companies. Without organic growth CO will struggle to generate enough cash to fund acquisitions or pay down future debt.



Investment Risks



Valuation Risks (Probability: Moderate – Impact: High)

[V1]

Our valuation comes with a number of assumptions that could be wrong. The most important assumptions we made were our base case WACC of 10.5%, and our growth rates for revenue. If these assumptions are wrong then CECO's stock price could appreciate. **Valuation impact:** We believe the maximum upside for CECO stock is 9.47 which is CECO's 52 week high.

Mitigant: We ran a Monte Carlo simulation that showed a 100% probability that CECO stock will fall below its current price of $5.87.

Firm Risks (Probability: Moderate – Impact: Moderate)

[F1] Maintaining a Large Backlog

With CECO's current backlog at record highs, it is possible for order flow to continue to be strong in 2022. This will lead to growth in revenue, earnings, and EPS, which could attract more investors to buy the stock. **Impact:** Our base case projects revenues are at 1%, which would lead to a stock price of $4.80. This lends a downside of 22.3% based on its current trading price of $5.87.

Mitigant: Our team does not project this growth to continue because supply chain issues and Covid-19 have been delaying projects, which has pushed the backlog higher. We predict that CECO's book-to-bill ratio will decrease to 1.12% in 2022. CECO has not shown stable revenue growth historically, so our team expects future earnings to continue to show a story of hills and valleys.

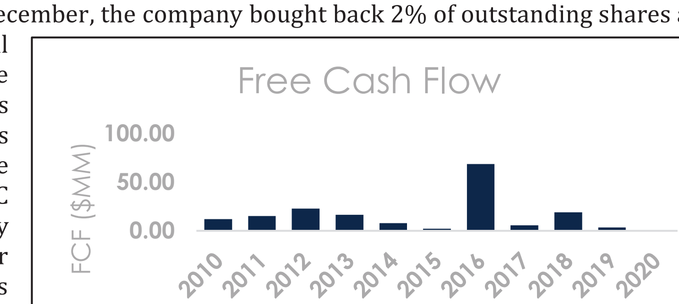
[F2] Rising Focus on ESG

CECO's core focus as a company is to drive innovation and solutions that help companies improve on the "E" in ESG. With a recent rise in ESG investing, CECO is able to benefit from strong inflows into sustainable funds, which saw record growth in 2021 and has progressively reached new highs. A record of 38 new sustainable mandated funds were started in Q3 2021, and overall AUM in sustainable investments totaled $37.8 trillion. CECO believes it could generate sustainable demand from the rising focus on environmental protection from its air filtration and fluid-handling revenue sectors. **Impact:** Our team's analysis shows that ESG will be immaterial and our base case revenue growth remains at 1%.

Mitigant: Our team anticipates that the upside growth from the ESG investing will not materialize rapidly and that most companies are seeking to slowly integrate ESG into their operating models. Overall, we think most companies that CECO interacts with will not fully integrate a complete ESG model until several years have passed, thereby limiting the growth potential from an ESG perspective.

[F3] Positioned to Deploy Capital

The company has continued to de-lever over the past five years with a current leverage ratio of 2.2x. Management has continued to deploy capital to reward shareholders. In December, the company bought back 2% of outstanding shares and in January, CECO announced the acquisition of General Rubber Company (GRC), which will more than double the addressable market size of the company. The acquisition is one of many deals CECO has made in the last 5 years as they have sold multiple non-core businesses and are expanding to other connected markets. The goal in the GRC acquisition is to insert itself into markets that the company is not well exposed to and increase its strength of supplier offerings. With recent debt payoffs of $58 million, CECO is positioned to deploy further capital. **Impact:** Our scenario analysis assumes that the deployment of capital will decrease in coming years.

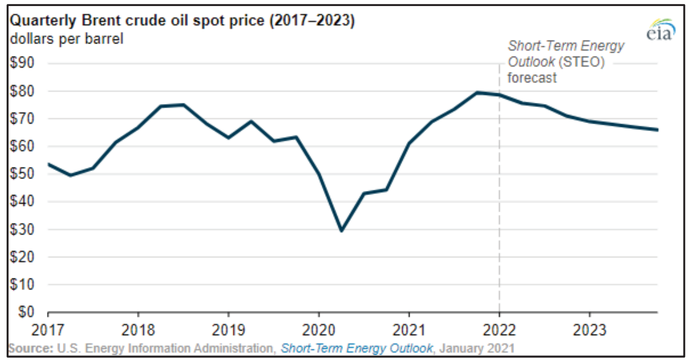


Mitigant: Even though this acquisition does expand CECO's addressable market size by $200 million, its success is dependent on the execution of General Rubber's integration into current operations. We anticipate CECO may not capture the expanded footprint that they want, with GRC generating only $12 million in revenue in 2021. Also, interest rates are expected to rise this year, which will make taking on future debt more expensive. The increasing cost of capital coupled with having to acquire companies at even higher multiples in the future will make their growth by M&A strategy more expensive, likely hindering the development of future acquisition targets.

Market Risks (Probability: Moderate – Impact: Low)

[M1] Short-term increase in Oil and Natural Gas Prices: A substantial percentage of CECO's customers are energy companies. A short-term increase in oil prices will give these customers an increase in cashflow. This will lead the customers to spend more on CECO's products and services. However, a long-term increase would impede economic growth, decreasing the spending for all customers. **Impact:** A short-term increase in oil and gas prices could raise revenue by x amount

Mitigant: U.S. Energy Information Administration forecasts that oil prices will fall $10 in 2022. This will lead to energy customers spending less on infrastructure projects in the future, resulting in less demand for CECO's solutions and further hindering the impact of management's growth outlook.



Environmental, Social, Governance

CECO's management measures their ESG performance based on an independent rating institution, Institutional Shareholder Services (ISS). Historically, CECO has had poor ESG ratings in all categories. The CEO says this is because CECO has not published ESG reports to show the work it has done. The company plans to greatly improve its scores by publishing an ESG report in early 2022. By improving the company's ESG score CECO will get more attention from ESG investors.

Environmental (ISS Score 9)

The company's environmental score has been its worst score, which is ironic because the company helps its customers reduce their environmental impact. Company management expects this score to go from poor to great with the publishing of their 2022 ESG report. The company has been gathering data such as emissions, water use, and recycling to prove that it is environmentally responsible. We agree with management that the report will lead to CECO obtaining a great environmental score. This will result in more ESG interest in the stock.

Social (ISS Score 2)

CECO is enhancing long-term shareholder value through its commitment to social responsibility. The company recently improved its social score from poor to great by issuing policies related to human rights and business conduct. The company committed to defending human rights for its employees as well as through its supply chain. Its new business conduct code emphasizes inclusion, respect, and ethical conduct. Our team perceives that this will allow CECO to attract more effective employees and retain its employees longer.

Governance (ISS Score 5)

Board of Directors

CECO's Board has nine members who have a diverse set of relevant expertise, strengthening the company's ability to take advantage of future growth. Six of the Board members are independent directors who can provide unbiased strategic advice, leading to better future performance. Three of the board members are internal executives who can provide an internal perspective to the board. CECO is fully compliant with the new NASDAQ board diversity rules by having at least 2 diverse board members. All Board members own shares in CECO, which aligns their interests with shareholders.

Executive Management

The company's leadership team has 8 members and is 38% diverse. In 2021, the company added Ramesh Nuggihalli to the team serving as Chief Operating Officer. CECO plans to use Ramesh's expertise in mergers and acquisitions to grow the company via strategic acquisitions. All the management team has a small portion of their total compensation coming from salary. This helps align their interests with shareholders because most of their compensation comes from stock and performance bonuses.

ESG Insights

After analyzing the ISS Scores of CECO's ESG performance, we derived intuitive insights about each aspect of ESG. First, our team anticipates that the new 2022 ESG report will significantly reduce the severity of its Environmental score from 9 down to at least 4. Our team anticipates that CECO's utilization of natural resources and the effect of its operations on the environment, both in its direct operations and across its supply chains will also help alleviate the pressure of having a high ISS Environmental score. Next, we believe that the inclusive nature of the company's great ISS Social score provides the momentum for a stronger executive team and management model as it looks to include a globalized perspective on new ideas and projects. Lastly, we believe that CECO's Governance should be monitored after the 2022 ESG report, as it may not be well-positioned to face the headwinds of the company's challenging financial performance. However, our scenario analysis indicates that the perceived ISS Governance score could show signs of financial inconsistencies.

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