DSys

UofT | DECISION SYSTEMS

FUNDAMENTAL RESEARCH

Investment Philosophy & Research Process

How DSYS Fundamental Research finds and evaluates investment ideas

October 2026

Who We Are

University of Toronto Decision Systems (DSYS) uses mathematics to make better decisions under uncertainty. The club runs two research divisions: Quantitative Research and Fundamental Research. Fundamental Research is a student-run team that combines bottom-up company research with a top-down view of the economy, covering equities and commodities directly, with macro as the lens that ties the two together. We work alongside the Quantitative Research division: their screens can surface names for us to dig into, and our work in turn can inform their models. Our portfolio is long-only equities, with occasional trades in energy and metals.

Coverage

1
Equities
Companies and ADRs traded on the NYSE, NASDAQ, and TSX.

2
Macro Environment
We don't trade macro, but we use it to inform our equity and commodity trades. We watch the macro environment in Canada and the United States.

3
Commodities
Energy and metals, focusing on the commodity drivers that matter most for the companies we cover, such as oil and silver.

Investment Philosophy

01 **Focus**
We focus on two types of companies: quality compounders with irreplaceable moats, high compounding free cash flow, and structurally superior margins; and growth businesses driving genuine innovation, where we underwrite the path ahead of current profitability. Both are held to the same standard of valuation discipline.

02 **Mispricing**
We look for companies where price and business have come apart. A moat is still intact, but the stock sold off on short-term sentiment, or the market hasn't caught up to durable growth yet. Mispricing is the main setup and opportunity.

03 **Variant View**
Not every pitch needs to disagree with the market. A quality compounder at a fair price is still worth owning. But when the thesis is a mispriced business, it's only strong if we can say exactly where we disagree with the market and why we think we're right.

Disclaimer: This is student research published by UofT Decision Systems for educational purposes only and is not investment advice. Do your own research before making any investment decision.

Research Process

Every idea goes through the same six steps. We choose companies through a bottom-up approach, on their own merits, then look at them from the economy down, mixing in our top-down approach. A strong business is worth researching in any macro environment, but the macro view shapes when we make the call and how we frame it, so we combine both approaches.

1. **Idea Screening:** the Q-value screen, earnings results, news flow, macro themes, and screens from the Quantitative Research division
2. **Research (top-down):**

MACRO	INDUSTRY	COMPANY
Macro Environment	**Industry Deep Dive**	**Company Fundamentals**
Which macro forces matter for the company (rates, FX, commodity prices, the cycle) and which way they are moving	How the industry is structured, who competes, and how those macro forces hit the sector	Qualitative and quantitative analysis, catalysts, and risks: why this business wins or loses

3. **Valuation:** a discounted cash flow model and comparable company analysis, plus precedent transactions where M&A is relevant. Bull, base, and bear cases are summarized in a football field.
4. **Thesis:** a written report in the DSYS template, including a Q-value scorecard
5. **Review & Publish:** the analyst pitches the idea to the team, and it is approved, sent back for more work, or dropped. Published calls are dated and include the entry price, price target, benchmark, and horizon.
6. **Monitor:** each call is tracked on our website, and we review each call after a significant catalyst to the core operations of the business.

The Q-value Framework

This section explains how we screen ideas (step 1) and score them in every thesis (step 4). The Q-value framework is a guideline rather than a strict rule, and it is our main tool for screening companies. It places every company on two axes, **business quality** and **valuation**, and we look for the top-right quadrant: high-quality businesses at cheap valuations.

Disclaimer: This is student research published by UofT Decision Systems for educational purposes only and is not investment advice. Do your own research before making any investment decision.

Figure 1: The Q-value grid

	Lower quality	Higher quality
Cheap	**Value Trap Risk** Weak business at a cheap price: ask why it is cheap	**Target** High-quality business at a cheap price
Expensive	**Avoid** Weak business at a high price	**Watchlist** Great business, already fully priced

> **Target Quadrant: the value-trap check**
>
> The data looks backward, but the market looks forward. When a company scores well on quality and still trades cheaply, we ask what the market sees that the numbers don't. If the discount reflects a real structural threat, it is a value trap and we pass. If the threat is overstated, that becomes our variant view.

Measuring cheapness is the easier half. We compare EV/EBIT, FCF yield, and P/E with sector peers and with the company's own history.

Measuring quality is harder, because two analysts can look at the same business and judge it differently. To keep that in check, most of the quality scores come from data. We score profitability, durability, growth, balance sheet strength, and earnings quality, and add an analyst-rated moat score. We rank each metric against the company's sector, then weigh it. The full method is set out in the DSYS Research Handbook.

Accountability

- We keep a public record of every call we publish, including the ones that don't work out.
- Each call on our website lists its publish date, entry price, price target, and time horizon.
- DSYS's private portfolio returns are benchmarked annually against the S&P/TSX Composite (for Canadian-listed names) and the S&P 500 (for US-listed names), rather than reported in absolute terms.
- DSYS periodically publishes research produced by our Fundamentals Team on this page. Nothing here constitutes investment advice, and any edits made after publication are disclosed publicly.

Disclaimer: This is student research published by UofT Decision Systems for educational purposes only and is not investment advice. Do your own research before making any investment decision.

- We may buy or sell securities without notice and may or may not hold positions in the securities discussed here. This page exists to show the kind of research our Investment Team does and how we think about investing; it is not a recommendation. Because markets and businesses change, these reports can become outdated over time.

Research Standards

- Every report we publish meets the same standards. We source every figure and list the source in the report. We keep facts separate from opinion, and we label all estimates as estimates.
- We start with primary sources: company filings, earnings calls, and official economic data. News articles and other analysts' research can point us to questions, but they never provide a number in our reports. All market data is dated, so readers know when prices and multiples were taken.
- We show our assumptions. Every valuation sets out the inputs that drive it, including a sensitivity analysis.
- Before publishing, at least one other analyst reviews it. The reviewer tests the thesis, checks the numbers, and confirms the report meets these standards.
- If we find an error after publishing, we correct it openly, with a dated note explaining what has changed.

Disclaimer: This is student research published by UofT Decision Systems for educational purposes only and is not investment advice. Do your own research before making any investment decision.