

STRATEGY PHILOSOPHY

The Canadian Equity strategy holds securities whose intrinsic values are inferior to their market value, while taking into account the cyclical factors that influence the Canadian stock market. The portfolio consists mainly of common shares issued by Canadian companies. The overall risk level of the portfolio is adjusted by focusing on security selection and sector allocation, with the objective of better managing risk. The integration of environmental, social and governance (ESG) factors is taken into account during the investment process.

The objective of the fund is achieve an annualized overperformance of 1.50%, compared to the S&P/TSX Composite over 5-year moving average periods, with lower volatility than that of its benchmark.

ANALYSIS



KEY POINTS

Style	Active management
Process	Bottom-up and top-down approach
Investment Horizon	3 years to 5 years
Benchmark Index	S&P/TSX
Value Added Objective	1.50% value added over a cycle
Non-indexed Securities	Maximum 10% of the portfolio
Number of Securities	35 to 45
Maximum Weighting	5% per security
Minimum Weighting	0.5% per security
Market Capitalization	> \$300 million
Small Capitalizations	Maximum 10% of the portfolio

RISK MEASURES

	3 years
Information Ratio	0.30
Sharpe Ratio	0.93
Bull Capture	94%
Bear Capture	72%
Bullish Batting Average	48%
Bearish Batting Average	91%
Beta	0.90

The risk measures as of August 31, 2018 (updated twice a year).
Mandate inception date: December 2001.

PORTFOLIO CONSTRUCTION

Combining these two approaches allows us to maximize the probability of achieving the objective while ensuring sound risk management, as well as maintaining the portfolio turnover rate at a statistically low level, close to 50%.

1. Security Selection (Bottom-up Approach)	<p>A bottom-up approach allows us to actively manage the selection and weight of securities. This approach is based on the following three criteria:</p> <ul style="list-style-type: none"> Quantitative filter which allows us to identify securities demonstrating: <ul style="list-style-type: none"> • Return on capital • Consistent profitability • Low debt List of securities with the best business models which gives each company a competitive advantage in its field <ul style="list-style-type: none"> • Harmonization and quality of executives and shareholders' interests Security selection as per the targeted sector strategy <ul style="list-style-type: none"> • Security valuation based on their size within their target sector
2. Security Selection (Top-down Approach)	<p>The sector allocation is based on the selection of securities:</p> <ul style="list-style-type: none"> • The use of cutting-edge technology enables the construction of an optimal portfolio • Sector deviation is determined by optimization resulting in different weights than those of the S&P/TSX Index • Underweight cyclical sectors and overweight non-cyclical sectors <p>A fundamental, technical, market sentiment and seasonality analysis ensures a final sector allocation which respects the deviation limits permitted.</p>