

CANADIAN EQUITY – LOW BETA GROWTH STRATEGY

Inception Date
December 1, 2017

Performance Benchmark
S&P/TSX Index

Currency
CAD

STRATEGY DESCRIPTION

Systematic investment process that focuses on identifying mid-to large cap firms with strong growth potential through a concentrated portfolio of 35 stocks. The team works on identifying stocks with growth characteristics that exhibit low systematic risk. The strategy focuses on low beta stocks and, those with greater residual risk, will be over weighted to better capture this, benchmark constrained overlooked, area of the market. This active, benchmark agnostic, process is built to maximize risk adjusted returns.

HIGHLIGHTS

Style	Active, Growth
Process	Systematic Top-down
Turnover	Quarterly Selection
Number of holdings	35 stocks

INVESTMENT PROCESS

Filtration (Annual)	Begin with all component of the S&P/TSX Remove Large Cap Value stocks Valuation metrics: Price/Book, Price/sales, Price/CF, Dividend Yield Eliminates: 30-40 stocks
Selection (Quarterly)	Focus on Mid/Large Cap opportunities (Market Cap > \$2B) Proprietary model that combines volatility and correlation for inclusion Exclude when: Illiquid, no data availability, doesn't meet sector constraints
Allocation (Quarterly)	Stocks are allocated to clusters based on their residual risk quartile. Stock volatility not explained by variability of market returns. Larger allocations are made to stocks belonging to highest risk quartile. Overweight stocks with greater residual risk
Monitoring (Continuously)	Team has extensive experience in monitoring and rebalancing stock portfolios.

POSITIONING THE STRATEGY

Low Vol Strategies

- › Significant Value tilt.
- › Lower volatility than the overall market
- › Invest in stocks that can exhibit significant tracking error with the index

Low Beta Strategies

Low Vol Strategy plus...

- › No constraints in stocks that have growth potential. (Low beta only limits systematic market risk)
- › Greater diversification benefits than Low Vol stocks

Low Beta Growth Strategy

Low Beta Strategy plus...

- › Reduced exposure to value stocks
- › Even greater allocations made to stocks with growth opportunities
- › Better diversification benefits

WHY INVEST IN THIS STRATEGY

- ⦿ Systematic, transparent and robust portfolio construction process geared towards extracting mid-to large cap stocks with strong growth potential
- ⦿ Maximized risk adjusted returns with a benchmark agnostic approach
- ⦿ Low systematic risk
- ⦿ Target stocks overlooked by the market because of tracking error restrictions (benchmark constraints)

PERFORMANCE (%)

As of June 30, 2021

PER PERIOD AND CALENDAR YEAR PERFORMANCE

	Q2 2021	YTD	2020	2019	2018
Portfolio	6.15	12.64	4.20	25.77	-2.61
Benchmark	8.54	17.28	5.60	22.88	-8.89
Added Value	-2.39	-4.64	-1.40	2.89	6.27

ANNUALIZED PERFORMANCE

	1 Year	2 Years	3 Years	SI
Portfolio	25.44	12.23	10.98	10.65
Benchmark	33.85	14.43	10.80	9.91
Added Value	-8.41	-2.20	0.19	0.73

Past performance is not a guarantee or indicator of future results. Inherent in any investment is the risk of loss.

Composite returns, presented gross of management fees

YTD = Year to Date; SI = Since Inception

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RISK/RETURN ANALYSIS (%)

	Portfolio	Benchmark
Annualized return (%)	10.65	9.91
Beta	0.74	1.00
Standard deviation (%)	12.75	15.68
Information ratio	0.11	n/a
Sharpe ratio (1.11% ¹)	0.75	0.56
Up-market capture ratio (%)	83.50	n/a
Down-market capture ratio (%)	69.31	n/a

Composite. Since inception

1. Risk-free rate of return

PORTFOLIO CHARACTERISTICS

	Portfolio	Benchmark
Liquidity		
CAD Market Cap (actual) (M\$)	33,031	68,536
Risk		
Net Debt / EBITDA (LTM)	2.99	2.91
Valuation		
Price / Earnings per share (LTM)	18.12	23.53
Price / Free Cash Flow per share (LTM)	19.08	24.85
Dividend Yield (LTM) (%)	2.94	2.98
Profitability and Growth		
Return on Equity (LTM) (%)	12.14	11.64
Return on Capital – Using NOPAT (LTM) (%)	5.68	4.60
Return on Equity (LTM) 5Y Average (%)	12.13	10.04
Revenues per Share (LTM) 5Y CAGR (%)	5.88	8.28
Number of Securities	36	231

Source: Factset

TOP-10 HOLDINGS (%)

Security	Sector	Weight
1. Open Text	Information Technology	3.9
2. CIBC	Financials	3.8
3. Loblaw	Consumer Staples	3.8
4. BCE	Communication Services	3.7
5. Enbridge	Energy	3.6
6. Bank of Nova Scotia	Financials	3.6
7. TD Bank	Financials	3.6
8. Choice Properties REIT	Real Estate	3.5
9. Waste Connections	Industrials	3.5
10. Kirkland Lake Gold	Materials	3.4
Total		36.3

PORTFOLIO MANAGEMENT TEAM

Team member	Role	Experience
Alexandre Hocquard, PhD	Senior Portfolio Manager	2006

They are supported by one analyst. The SIS team combines expertise and experience in financial engineering, trading and execution to deliver superior client outcomes and service.

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