



# CANADIAN EQUITY REPORT

## March 31, 2020

### INVESTMENT STRATEGY AND PROCESS

Lester Asset Management Inc. ("LAM") launched an actively managed All-Cap Canadian Equity strategy for its segregated accounts in July 2006 and created a pooled version through the Lester Canadian Equity Fund (the "Fund") in January 2012. The strategy's aim is to be different from the S&P/TSX Composite Index and achieve higher returns than the market with lower risk as measured by low market correlation, low cyclical exposure, and better industry diversification. The portfolio is invested in 40 to 50 small, mid and large cap Canadian listed companies selected using a research process based on fundamental bottom-up analysis, strict quantitative and qualitative criteria, and a sound understanding of each company and the industry in which each operates, complemented by a macro-economic outlook. The investment style is value-driven and opportunistic, seeking to buy shares at a discount to a company's true worth, with the goal of maximizing shareholder value through dividend growth, share buybacks, spin-offs or an outright sale.

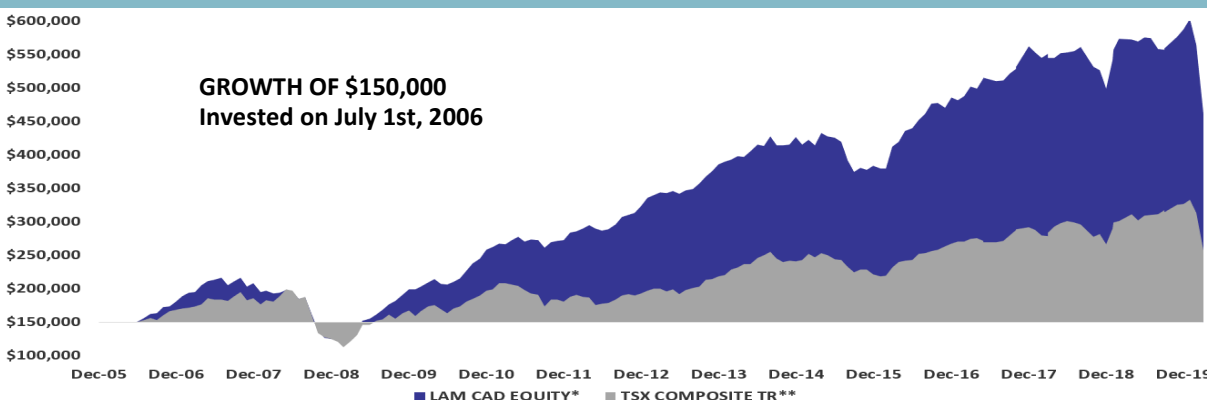
### CALENDAR YEAR GROSS RETURNS (except for 2006 which is for 6 months)

	2020 YTD	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
LAM CAD EQUITY*	-21.6%	18.0%	-11.9%	15.8%	26.6%	-9.6%	10.5%	19.3%	17.6%	5.8%	29.7%	60.2%	-40.0%	15.4%	20.7%
TSX COMPOSITE TR**	-20.9%	22.9%	-8.9%	9.1%	21.1%	-8.3%	10.5%	13.0%	7.2%	-8.7%	17.6%	35.1%	-33.0%	9.8%	12.5%

### ANNUALIZED GROSS RETURNS (except for 1 month and 3 months returns)

	1 MONTH	3 MONTHS	1 YEAR	3 YEARS	5 YEARS	10 YEARS	SINCE JULY 1, 2006
LAM CAD EQUITY*	-18.4%	-21.6%	-19.6%	-3.0%	2.1%	8.3%	8.5%
TSX COMPOSITE TR**	-17.4%	-20.9%	-14.2%	-1.9%	0.9%	4.1%	4.0%

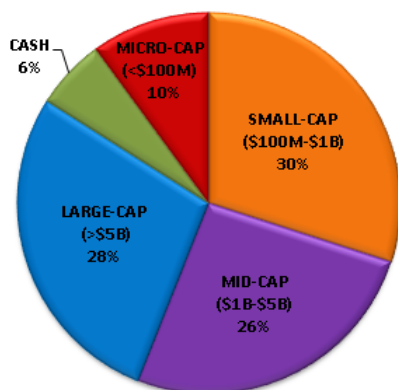
### CUMULATIVE GROSS RETURNS VERSUS TSX COMPOSITE TR\*\* SINCE JULY 1, 2006



	Annualized Gross Returns	Cumulative Gross Returns
LAM* CAD EQUITY	8.5%	207.3%
TSX COMP TR**	4.0%	72.4%
Added Value	4.4%	134.9%

### FUND ALLOCATION BY SECTOR AND MARKET CAP

INDUSTRIALS	18.7%
TECHNOLOGY	15.7%
UTILITIES	11.8%
DISCRETIONARY	10.1%
ENERGY	9.0%
COMMUNICATIONS	7.2%
HEALTHCARE	6.7%
CASH	5.7%
STAPLES	5.1%
MATERIALS	3.5%
FINANCIALS	3.3%
REAL ESTATE	3.2%



### TOP 20 FUND HOLDINGS

LARGE CAP	%	SMALL/MID CAP	%
ALGONQUIN POWER	4.6	INNERGEX RENEWABLE	4.3
BCE	3.9	TECSYS	4.0
TELUS	3.5	BORALEX	3.5
ENBRIDGE	3.1	SIENNA SENIOR LIVING	3.5
CN RAILWAY	3.0	STELLA JONES	3.5
CGI GROUP	2.9	ALTUS GROUP	2.8
PEMBINA PIPELINE	2.8	BADGER DAYLIGHTING	2.8
RESTAURANT BRANDS	1.5	K-BRO LINEN	2.8
DOLLARAMA	1.3	LOGISTEC	2.7
TD BANK	1.0	ANDREW PELLER	2.4

## MONTHLY COMMENTARY

During the month, the Canadian Equity Fund dropped -18.4% on a gross basis versus -17.4% for the TSX Composite, as panic selling gripped world stock markets due to the spread of the COVID-19 virus. This was amplified by computer program trading, fund liquidations and margin calls. Canada was also hurt by a price war between Saudi Arabia and Russia causing the price of oil to plunge to historic lows. While central banks have stabilized the global financial system, harsh government imposed restrictions to contain the virus in countries like Canada are having a material negative impact on many businesses and it is not known how long these will last. We have generally low exposure to the areas most affected such as the Energy, Real Estate, Consumer Discretionary and Financial sectors, so we should have fared better. Our portfolio was nonetheless hurt by our energy infrastructure holdings such as Enbridge, Pembina and Keyera, and retailers such as Aritzia and Restaurant Brands. Even less affected essential businesses such as Ag Growth, Sienna Senior Living, K-Bro Linen, Badger Daylighting, Logistec and Park Lawn were caught in the downdraft. However, there were a few bright spots among our holdings such as Goodfood Market, Canada's leading online grocer, which was one of the top performing stocks on the TSX gaining +34%, and Centric Health, a leading provider of medication to senior residences, which rose +10%. We used the massive sell-off to initiate positions in Gibson Energy, Lightspeed and TD Bank. Amid such an uncertain business environment, we are reviewing the portfolio daily to assess where the best investment opportunities lie and position it for solid long term returns once governments loosen restrictions and allow everyday life and the economy to function more normally.

## PORTFOLIO MANAGERS



### Stephen Takacsy – CEO, Chief Investment Officer and Lead Manager Canadian Equity

Stephen joined the firm in 2006 as Chief Investment Officer and developed its Canadian Equity and Fixed Income strategies. He became Chief Executive Officer in 2017. Stephen's diverse career in finance spans over 30 years, including roles in corporate lending, investment banking, and managing the cash proceeds from the sale of a publicly traded company where he was Chief Financial Officer. His extensive experience in corporate finance, mergers & acquisitions, valuation analysis and investments has added value to client returns.

**Co-Managers: Jordan Steiner, CFA and Martin Gagné, CFA, CPA**

## STRATEGY CHARACTERISTICS

<b>Inception Date</b>	July 1st, 2006
<b>Strategy AUM</b>	\$155 million
<b>Style</b>	All–Cap, value-driven and opportunistic
<b>Process</b>	Fundamental bottom-up analysis
<b>Portfolio</b>	40 to 50 diversified holdings
<b>Risk Metrics (since inception)</b>	Low cyclical exposure Low market correlation Beta: 0.75 Upside capture: 88%, Downside capture: 55% Portfolio turnover: 25% Maximum position size: 5% Maximum sector weight: 25%

## POOLED FUND TERMS

<b>Inception Date</b>	January 3rd, 2012																
<b>Fund AUM</b>	\$45 million																
<b>Minimum Investment</b>	\$150,000 (or less for accredited investors)																
<b>Eligible Accounts</b>	Non-Registered and Registered (RRSP, RESP, TFSA...)																
<b>Distribution</b>	AB, BC, MB, ON, QC, by way of Offering Memorandum																
<b>Management Expense Ratio (MER)</b>	Management Fee (as listed below) + approximately 0.1% for trading and custodial charges																
<b>Fund Units***</b>	<table border="1"> <thead> <tr> <th>SERIES</th> <th>FUNDSERV CODE</th> <th>NAV</th> <th>MGMT. FEE</th> </tr> </thead> <tbody> <tr> <td>F</td> <td>LAF100</td> <td>\$14.76</td> <td>1.5%</td> </tr> <tr> <td>I</td> <td>LAF101</td> <td>\$11.04</td> <td>1.0%</td> </tr> <tr> <td>O</td> <td>LAF102</td> <td>\$8.20</td> <td>TBD</td> </tr> </tbody> </table>	SERIES	FUNDSERV CODE	NAV	MGMT. FEE	F	LAF100	\$14.76	1.5%	I	LAF101	\$11.04	1.0%	O	LAF102	\$8.20	TBD
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## ABOUT THE FIRM

Lester Asset Management is an independent discretionary portfolio management firm serving private clients, family offices, charitable foundations and institutional investors, while exercising a fiduciary duty to always act in its clients' best interest. The Firm is committed to preserving and growing the financial wealth of its clients through responsible and ethical investing while also providing a high level of personalized service to meet its clients' evolving needs. The Firm is focused on actively managing two core strategies: Canadian Equity and Canadian Fixed Income, aiming to outperform the main indices over the long term and to add value by achieving higher returns than the market with lower risk. In 2019, the Firm was selected by the Quebec Emerging Managers Program to manage a pooled Canadian Bond fund for a group of institutional investors.

### FOR MORE INFORMATION:

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FREQUENT CONTRIBUTOR ON



\*Returns for LAM's Canadian Equity strategy are gross of management fees and based on dollar-weighted gross returns for the Canadian Equity composite of segregated portfolios managed by LAM using the same strategy from July 2006 until the launch of the Fund in January 2012 and on gross returns of the Lester Canadian Equity Fund thereafter. \*\*The S&P/TSX Composite Total Return Index is the benchmark that has been used since the inception of LAM's Canadian Equity strategy in July 2006 and the Fund in January 2012, and reflects the policy of investing only in Canadian Equity securities.\*\*\* Returns on the different unit series of the Fund will vary due to applicable management fees as well as trading and custodial charges. Note that the Fund does not incur operating costs which are typically associated with pooled fund investments, as these are assumed directly by LAM. Please read the Offering Memorandum before investing in the Fund. Pooled fund returns are not guaranteed as unit values change frequently and past performance may not be repeated.