



# LESTER ASSET MANAGEMENT

RESPONSIBLE GROWTH



## CANADIAN EQUITY REPORT July 31, 2023

### 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 LAM 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.

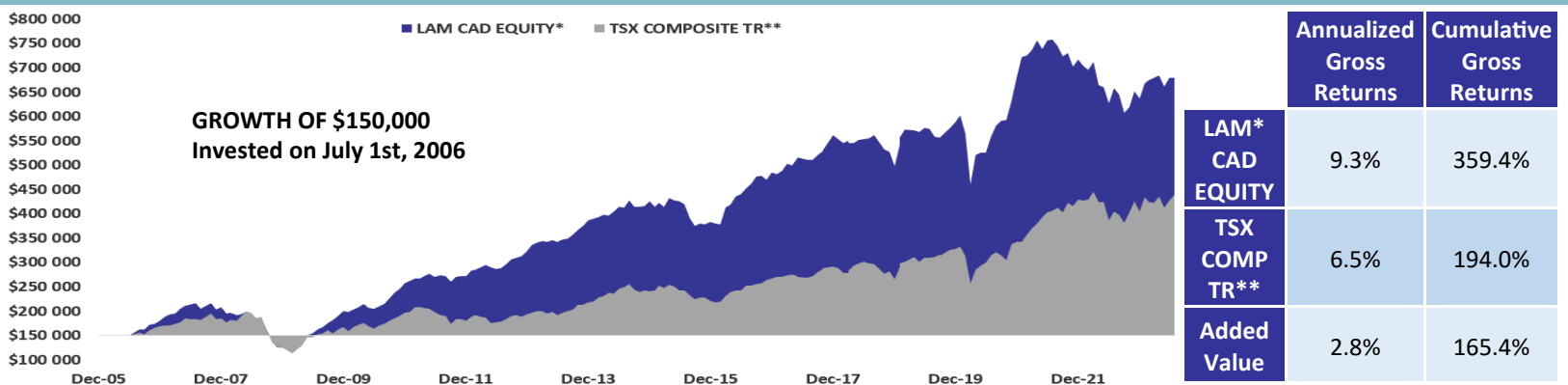
### CALENDAR YEAR GROSS RETURNS (except for 2006 which is for 6 months)

	2023 YTD	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
LAM CAD EQUITY*	6.7%	-11.2%	5.4%	15.6%	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	8.4%	-5.8%	25.1%	5.6%	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)

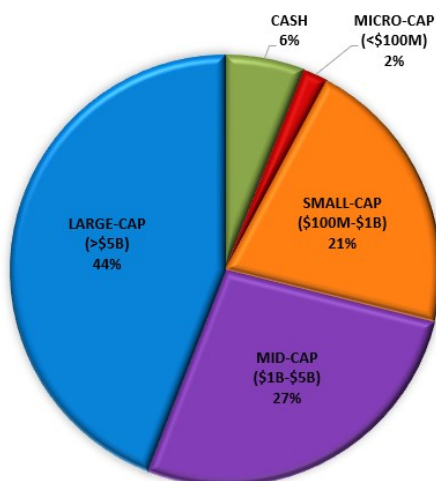
	1 MONTH	3 MONTHS	1 YEAR	3 YEARS	5 YEARS	10 YEARS	SINCE JULY 1, 2006
LAM CAD EQUITY*	-0.1%	-0.6%	3.2%	6.8%	4.0%	6.9%	9.3%
TSX COMPOSITE TR**	2.6%	0.8%	8.2%	11.7%	7.9%	8.4%	6.5%

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



### FUND ALLOCATION BY SECTOR AND MARKET CAP

INDUSTRIALS	23.6%
FINANCIALS	13.9%
DISCRETIONARY	9.8%
COMMUNICATIONS	8.3%
TECHNOLOGY	8.0%
UTILITIES	7.3%
ENERGY	6.2%
MATERIALS	6.2%
STAPLES	6.0%
CASH & EQUIVALENTS	5.9%
REAL ESTATE	4.7%
HEALTHCARE	0.0%



### TOP 20 FUND HOLDINGS

LARGE CAP	%	SMALL/MID CAP	%
BMO	4.5	LOGISTEC	4.0
CPKC RAILWAY	3.8	AG GROWTH INTL	3.0
ALTAGAS	3.7	POLLARD BANKNOTE	2.9
TD BANK	3.6	ATS	2.8
ENBRIDGE	3.4	SAVARIA	2.8
CGI	3.4	TECSYS	2.8
CN RAILWAY	2.7	PET VALU	2.5
BCE	2.6	DEFINITY FINANCIAL	2.4
TELUS	2.4	PARK LAWN	2.4
WSP GLOBAL	2.2	STELLA JONES	2.4

## MONTHLY COMMENTARY

The **LAM Canadian Equity Fund** declined by **-0.1%** on a gross basis versus +2.6% for the TSX Composite Total Return. Year-to-date, the Fund is up **+6.7%** versus +8.4% for the TSX. World equity markets continued to be volatile, extending June's rebound on positive economic data and declining but persistently high inflation. Our underperformance versus the TSX was due to our low exposure to cyclical sectors such as Energy, Materials, and Financials which were up +9.3%, +6.4% and +3.9% respectively, as we prefer to take a more conservative approach. This is paying off so far in August as markets are down significantly and we are now ahead of the TSX year-to-date. Our top contributors during July included midstream and gas distributor **Altagas**, agricultural equipment supplier **Ag Growth**, waste management services provider **Secure Energy**, home fixtures distributor **Richelieu Hardware**, and not surprisingly **BMO** and **Toronto-Dominion Bank**. Our main detractors included defensive holdings such as telecommunications service providers **Telus** and **BCE**, renewal power producers **Borex** and **Northland Power**, as well as IT consultants **CGI Group**, P&C insurer **Definity Financial**, and energy infrastructure company **TC Energy**. Most of our holdings are reporting strong 3<sup>rd</sup> quarter results in August and some have rallied significantly since. We expect equity markets to remain momentum-driven and continue to use volatility to trim certain positions at high prices and add to others at lower levels with the goal of generating strong long term risk-adjusted returns.

## PORTFOLIO MANAGERS



### Stephen Takacs – 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: Matthew Kaszel, CFA and Olivier Tardif-Loiselle, CFA**

## STRATEGY CHARACTERISTICS

<b>Inception Date</b>	July 1st, 2006
<b>Strategy AUM</b>	\$181 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: 0.78 Upside capture: 84% Downside capture: 58% Portfolio turnover (5 year): 26% Maximum position size: 5% Maximum sector weight: 25%

## POOLED FUND TERMS

<b>Inception Date</b>	January 3rd, 2012																
<b>Fund AUM</b>	\$89 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) + a maximum of 0.1% for operating expenses, as well as 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>\$20.52</td> <td>1.5%</td> </tr> <tr> <td>I</td> <td>LAF101</td> <td>\$15.66</td> <td>1.0%</td> </tr> <tr> <td>O</td> <td>LAF102</td> <td>\$12.08</td> <td>TBD</td> </tr> </tbody> </table>	SERIES	FUNDSERV CODE	NAV	MGMT. FEE	F	LAF100	\$20.52	1.5%	I	LAF101	\$15.66	1.0%	O	LAF102	\$12.08	TBD
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## ABOUT THE FIRM

Lester Asset Management is a Montreal-based independent discretionary portfolio management firm serving private clients and institutions such as charitable foundations, while exercising a fiduciary duty to always act in the best interests of its clients. 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 the active value-added management of its two core strategies: All-Cap Canadian Equity and Canadian Fixed Income, aiming to outperform the main indices and to add value by achieving higher returns than the market with lower risk while using strict ESG considerations. 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. In 2021, the Firm received a Global Manager Research (GMR) "Top Performer" Award for its 1-year return in the Canadian Fixed Income category, and in 2022 it received 2 more GMR "Top Performer" Awards for its 5-year and 10-year returns in the Canadian Fixed Income category. The Firm is also a signatory of the United Nations' Principles of Responsible Investing since 2021.

### FOR MORE INFORMATION:

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\*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 LAM 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. 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.



FREQUENT CONTRIBUTOR ON

