



# LESTER ASSET MANAGEMENT

RESPONSIBLE GROWTH



## CANADIAN EQUITY REPORT June 30, 2024

### 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.

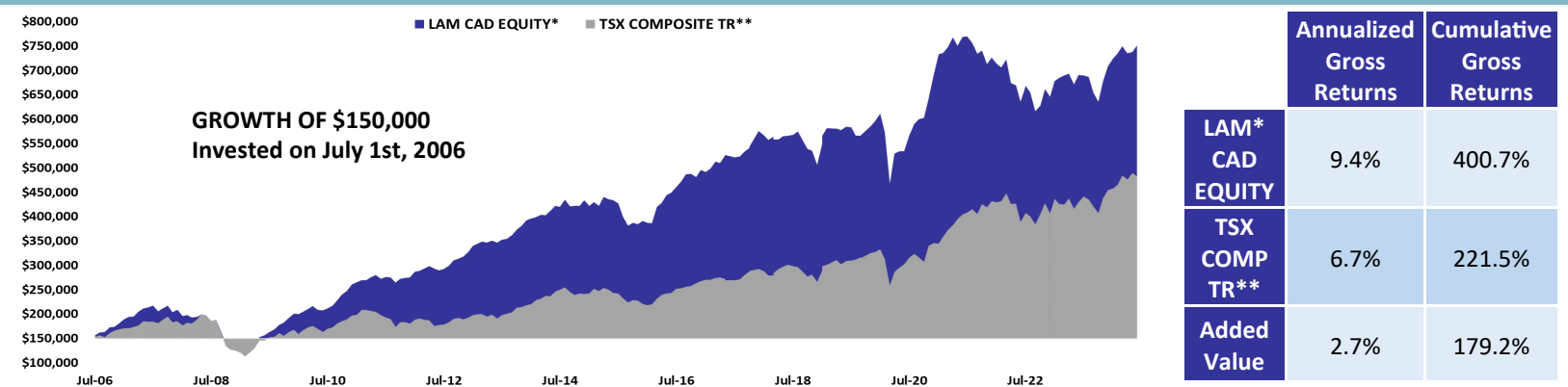
### CALENDAR YEAR GROSS RETURNS (except for 2006 which is for 6 months)

	2024 YTD	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
LAM CAD EQUITY*	6.0%	9.8%	-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	6.1%	11.8%	-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)

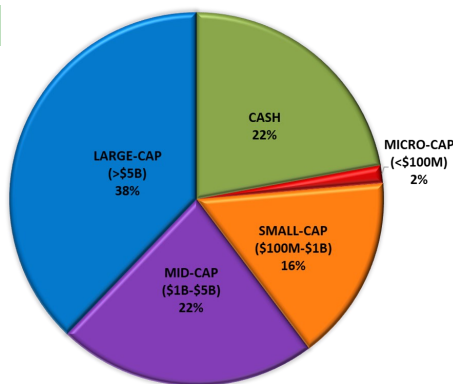
	1 MONTH	3 MONTHS	1 YEAR	3 YEARS	5 YEARS	10 YEARS	SINCE JULY 1, 2006
LAM CAD EQUITY*	1.8%	0.2%	8.9%	-0.8%	5.2%	6.0%	9.4%
TSX COMPOSITE TR**	-1.4%	-0.5%	12.1%	6.0%	9.3%	7.0%	6.7%

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



### FUND ALLOCATION BY SECTOR AND MARKET CAP

INDUSTRIALS	22.3%
CASH & EQUIVALENTS	22.1%
FINANCIALS	13.6%
TECHNOLOGY	9.1%
STAPLES	6.2%
DISCRETIONARY	6.2%
UTILITIES	5.5%
COMMUNICATIONS	5.1%
MATERIALS	4.1%
REAL ESTATE	3.0%
ENERGY	2.8%
HEALTHCARE	0.0%



### TOP 20 FUND HOLDINGS

LARGE CAP	%	SMALL/MID CAP	%
WSP GLOBAL	2.9	SAVARIA	3.2
DEFINITY	2.9	MDA SPACE	2.9
BMO	2.9	QUARTERHILL	2.9
ENBRIDGE	2.8	TECSYS	2.8
ROYAL BANK	2.8	AG GROWTH INTL	2.8
ALTAGAS	2.7	BORALEX	2.7
CP RAIL	2.7	JAMIESON WELLNESS	2.4
CN RAILWAY	2.6	HIGH LINER FOODS	2.4
CGI	2.6	PET VALU	2.3
CCL	2.5	EQB	2.3

# MONTHLY COMMENTARY

For the month of June, the **LAM Canadian Equity Fund** rose **+1.8%** on a gross basis versus a decline of -1.4% for the TSX Composite Total Return. Year-to-date, the Fund is up **+6%**, similar to the return of the TSX, despite our portfolio having negligible weightings in the Energy and Materials sectors which have been the main drivers of the TSX return. World equity markets were mixed as the S&P500 rose mostly due to a few technology related stocks, while European markets declined on geopolitical concerns. Remarkably, the S&P500 "Equal Weight" index was actually down -0.5%, revealing the huge influence of these few stocks on the market cap weighted U.S. index. Our significant outperformance versus the TSX was due to our low exposure to the volatile Energy and Materials sectors which declined -4.7% and -4.6% respectively, and strong performances by several of our small and mid cap holdings. Our top contributors included funeral services operator **Park Lawn** which announced it would be acquired for a 62% premium to its trading price, **MDA Space** which added a \$1 billion contract from the Canadian government, and rare earth processor **Neo Performance Materials** which disclosed that it would undergo a strategic review to maximize shareholder value. Other contributors included **Jamieson Wellness**, **Altus Group**, and **EQB**. Detractors included **Pollard Banknote**, and large cap holdings such as **CN Rail**, **Telus**, and **BMO**. Our strong results during the month illustrate the value of being diversified in less volatile and non-cyclical sectors, and the huge undervaluation that smaller companies often trade at. We continue to have a positive view of equity markets as interest rates decline throughout the year on lower inflation data. Also, we expect market breadth to widen given that only a few companies and sectors are driving markets higher. We also remain very confident in the potential returns of our portfolio which is well diversified in economically resilient growing businesses trading at reasonable valuations.

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

## STRATEGY CHARACTERISTICS

<b>Inception Date</b>	July 1st, 2006
<b>Strategy AUM</b>	\$154 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>	\$79 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>	<b>SERIES</b>	<b>FUNDSERV CODE</b>	<b>NAV</b>	<b>MGMT. FEE</b>
	F	LAF100	\$22.02	1.5%
	I	LAF101	\$16.89	1.0%
	O	LAF102	\$13.16	TBD

## ABOUT THE FIRM

**Lester Asset Management** is a Montreal-based independent portfolio management firm serving private clients and institutions, with a fiduciary duty to always act in the best interests of its clients. The Firm also manages institutional funds for the *Quebec Emerging Managers Program*. 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 core strategies: Canadian Equity, Canadian Fixed Income, and Global Equity, aiming to outperform the main indices and add value by achieving higher returns than the market with lower risk. 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 two more GMR *Top Performer* awards for its 5-year and 10-year returns in the Canadian Fixed Income Plus category. The Firm is also a signatory of the United Nations' Principles of Responsible Investing and is a member of the Taskforce on Nature-related Financial Disclosure (TNFD) Forum and the Nature Action 100 engagement team.

### 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 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.