Q1 2020 Quarterly Commentary

Fund name: Canadian Equity Growth Fund

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The S&P/TSX returned -19.03% over the quarter. During the quarter, all the eleven sectors of the index realized a negative return, with Health Care, Energy, Consumer Discretionary, Real Estate and Financials being the worst performers. Two of the three largest sectors of the index (Financials and Energy) posted more than 20% decline during the quarter. The top performing sectors were Consumer Staples, due to their defensive nature, as well as Communication Services and Information Technology, mainly driven by Shopify's performance.

In terms of (gross) relative performance over the first quarter, the Fund outperformed its index. Most of the outperformance came from an allocation favoring defensive sectors as well as a hedging strategy that was put in place using put options. The options strategy was the main positive contributor to performance for the quarter. In terms of allocation, an underweight position in energy coupled by an overweight in consumer staples were the main contributors. An increased cash position was also helpful.

At the beginning of 2020, the Fund was positioned to benefit from a continuation in the economic reacceleration following the 2019 slowdown. Due to its pro-cyclical positioning early January, the Fund was slightly more affected by worries relating to Coronavirus than would have been hoped for. Stock picking was slightly negative during the quarter, mainly due to positioning early in the year, particularly within energy and materials. Overweight positions in stocks such as Canadian Natural Resources, International Petroleum Corp and Parex Resources in January was negative for the Fund s they all largely underperformed the market. In the materials sector, underweight positions in Barrick Gold and Franco Nevada were also negative to the Fund's performance as they both largely outperformed the index.

Coronavirus continues its spread worldwide. However, we can see an end to what we refer to as the first wave of contagion on the horizon. From there, we will have to live with social distancing until a vaccine is produced and distributed. This new normal will be difficult for the economy. Less revenues for some industries, increased costs for most. We will see few winners (ecommerce, communication, staples) and many losers. We will thus look for certain types of companies that should do better in this environment. We will also try to build positions in very well managed companies that are usually expensive and that are now more affordable. Finally, we will endeavor to find companies that will be better off once all of this is over, such as ones that would benefit from less competition, and from a change of consumption behavior.