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**INTERIM  
MANAGEMENT  
REPORT**

*of Fund Performance  
for the period ended  
June 30, 2021*

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**FÉRIQUE PORTFOLIO SOLUTIONS**  
FÉRIQUE **Balanced** Portfolio

This Interim Management Report of Fund Performance contains financial highlights but does not contain the complete interim or annual financial statements of the Fund. You can get a copy of the Interim Financial Statements at your request, and at no cost, by calling our Advisory Services at 514-788-6485 (toll-free 1-800-291-0337), by writing to us at Gestion FÉRIQUE, Place du Canada, 1010 de La Gauchetière Street West, Suite 1400, Montréal, Québec H3B 2N2, or by visiting our website at ferique.com or SEDAR at sedar.com. Unitholders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record and quarterly portfolio disclosure.

There may be management fees and expenses associated with an investment in a mutual fund. Management expense ratios vary from one year to another. Please read the Prospectus before investing. Mutual funds are not guaranteed or covered by the Canada Deposit Insurance Corporation or another government deposit insurer. Their values fluctuate frequently and past performance may not be repeated.

### **A Note on Forward-looking Statements**

This report may contain forward-looking statements about the Funds, their future performance, strategies or prospects, and possible future Fund actions. The words "may", "could", "should", "would", "suspect", "outlook", "believe", "plan", "anticipate", "estimate", "expect", "intend", "forecast", "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Funds and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Funds. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

As at June 30, 2021

## Management Discussion of Fund Performance

### Results of Operations

The FÉRIQUE Balanced Portfolio posted a net return of 6.3% for the period ended June 30, 2021, compared to a return of 6.2% for the benchmark index. Contrary to benchmark returns, which include no investment fees, Portfolio returns are expressed net of management and operating expenses payable by the Fund.

On a relative basis, the Fund outperformed the industry median<sup>1</sup>, which posted 4.6% net of fees for the period.

### Money Market

#### (2.4% of the Fund as at June 30, 2021)

The portfolio was invested defensively in short-term provincial Treasury bills to preserve capital and ensure sufficient liquidity to enable the Fund to operate effectively. Portfolio allocations fluctuated significantly due to changes in stock prices. During the period, the portfolio manager slightly increased the allocation to Alberta discount notes and Ontario securities while adding a new position in Nova Scotia bonds. The portfolio manager believes that the economic environment is conducive to a new rise in interest rates and will monitor any changes to monetary or fiscal policy that would disrupt these circumstances favourable to risk assets.

### FÉRIQUE Canadian Bond Fund

#### (21.7% of the Fund as at June 30, 2021)

The FÉRIQUE Canadian Bond Fund posted a net return of -3.2% for the period ended June 30, 2021. Its benchmark, the FTSE Canada Universe Bond Index, posted a -3.5% return for the same period. Contrary to benchmark returns, which include no investment fees, returns are expressed net of management and operating expenses payable by the Fund.

On a relative basis, the Fund outperformed the industry median<sup>1</sup>, which posted -3.4% net of fees for the period.

### Addenda

During the period, portfolio duration was kept between 0.5 and 1.5 years below the benchmark, depending on market conditions, and this drove the Fund's performance.

The portfolio sub-manager maintained the portfolio's overweight to government credit and corporate bonds. The portfolio sub-manager also increased the exposure to British Columbia and Québec bonds and reduced the allocation to Ontario bonds.

Addenda lowered the risk level of corporate bonds held in the portfolio midway through the period to take advantage of the credit spreads narrowing early in the year. The portfolio sub-manager also used this situation to reduce the allocation to long-term securities and increase the allocation to medium-term ones. In March, portfolio risk was increased, particularly in the Communication Services and Energy sectors, to take advantage of widening credit spreads caused by the large number of new issues.

The portfolio sub-manager believes that the economic environment is conducive to a new rise in interest rates and will monitor any changes to monetary or fiscal policy that would disrupt these circumstances favourable to risk assets. While economic uncertainty has somewhat dissipated, it remains impossible to assess the impacts

of the pandemic crisis and is still too soon to withdraw any precautionary measures.

### Baker Gilmore

The portfolio's relative outperformance is mainly due to the overweight to corporate bonds (primarily in the Financials and Utilities sectors) and real return bonds in light of rising inflationary expectations.

Portfolio duration was actively managed and modified based on the strength of Canadian and global macroeconomic data, actions and statements of global central banks, and changes in interest rates relative to their fundamental value. This duration, which was kept 0.10 to 0.85 years below the benchmark, also added value in a rising rate environment.

Following the release of positive economic data and the rollout of COVID-19 vaccines, Baker Gilmore further shortened the portfolio's duration during the period.

Early in the period, the portfolio sub-manager also increased the overweight to real return bonds because of rising inflationary pressures. Due to the narrowing of credit spreads in the first half of 2021, Baker Gilmore took profits and reduced the portfolio's overweight to corporate securities, especially in the Industrials sector. During the period, the portfolio sub-manager also reduced its overweight to BCE, TELUS and Shaw Communications.

During the first half of 2021, the portfolio sub-manager made additional changes to the portfolio's composition, particularly for Financials and Utilities securities. The overweight to Manulife Financial was reduced to increase investments in H&R Real Estate Investment Trust. Holding in Ontario Power Generation was also trimmed to add to the positions in Teranet and Capital Power.

### FÉRIQUE Global Sustainable Development Bond Fund

#### (8.4% of the Fund as at June 30, 2021)

The FÉRIQUE Global Sustainable Development Bond Fund, managed by AlphaFixe Capital (AlphaFixe) and BMO Global Asset Management (BMO), began operations on January 8, 2021. Since the Fund had existed for less than twelve months as at June 30, 2021, data relative to its performance is not presented herein.

### FÉRIQUE Globally Diversified Income Fund

#### (7.1% of the Fund as at June 30, 2021)

The FÉRIQUE Globally Diversified Income Fund, managed by Addenda Capital Inc. (Addenda), posted a net return of 1.8% for the period ended June 30, 2021. Its benchmark, composed of the FTSE Canada Universe Short Term Bond Index (30%), the Bloomberg Barclays Global Aggregate Bond Index (CA\$ hedged) (60%) and the Dow Jones Canada Select Dividend Index (10%), posted a 1.3% return for the same period. Contrary to benchmark returns, which include no investment fees, returns are expressed net of management and operating expenses payable by the Fund.

On a relative basis, the Fund outperformed the industry median<sup>1</sup>, which posted 1.6% net of fees for the period.

During the period, the portfolio's allocations to Canadian corporate and high-yield bonds added value while corporate credit spreads remained stable despite a significant new issuance. Canadian equities—which underperformed the benchmark index—and preferred shares delivered a very strong performance, as easy monetary policy drove investor demand, and significantly bolstered absolute returns.

*As at June 30, 2021*

The portfolio's underweight allocation to global bonds contributed to absolute performance as the impact of rising rates outweighed the benefit of credit spreads narrowing.

Over the period, the portfolio sub-manager increased the relative duration of the core bond portion of the portfolio in light of rising rates and the steepening of the yield curve. The portfolio's exposure to global credit was, however, maintained with the goal of capturing additional yield and diversifying.

Addenda selectively added to the portfolio's high-yield bond allocation to enhance yield and take advantage of the rising rate environment. The overweight to Canadian equities was also maintained due to the asset class's expected outperformance.

The portfolio sub-manager reduced the underweight position in global credit during the first quarter, as exposure tilted towards more cyclical companies with a higher beta within the portfolio. Throughout the quarter, the portfolio sub-manager added to its vaccine and recovery investments by buying securities in the United States and Europe such as aircraft leasing companies Aercap and Avolon. Additions in cyclical sectors, such as the automotive and energy sectors, also reinforced the global recovery theme that was expected to play out in the second half of the year.

In March, the portfolio sub-manager opportunistically added positions in telecommunication companies (such as AT&T and Vodafone) to the portfolio after expectations of elevated new issuance drove spreads wider at first. The portfolio sub-manager maintains an overweight to regulated U.S. utilities, top-tier U.S. banks and select opportunities in fintech companies.

#### **FÉRIQUE Canadian Dividend Equity Fund (16.0% of the Fund as at June 30, 2021)**

The FÉRIQUE Canadian Dividend Equity Fund posted a net return of 22.7% for the period ended June 30, 2021. Its benchmark, the S&P/TSX Composite Dividend Index, posted 17.2% for the same period. Contrary to benchmark returns, which include no investment fees, Fund returns are expressed net of management and operating expenses payable by the Fund.

On a relative basis, the Fund outperformed the industry median<sup>1</sup>, which posted 16.5%, net of management fees for the period.

During the period, the Fund outperformed in the midst of a strong recovery resulting from the gradual reopening of the economy and positive vaccine-related news.

The Fund's overweights to Communication Services, Consumer Discretionary, Consumer Staples, Real Estate and Utilities bolstered returns. Most specifically, holdings in Consumer Discretionary and Consumer Staples such as Canadian Tire Corporation, Magna International and Alimentation Couche-Tard, as well as those in Real Estate, including Cominar and H&R REIT, benefited from the gradual reopening of the economy. The underweight to the Industrials and Materials sectors, which do not meet the Fund's valuation, quality and dividend yield criteria, also contributed to performance, as these sectors lagged the market as a whole.

A few portfolio holdings, including Brookfield Property Partners, Inter Pipeline and Shaw Communications, appreciated considerably following transactions with other companies, thus highlighting the value in their underlying businesses. Cominar and Laurentian Bank also posted very strong returns during the period despite being deeply out-of-favour. Their recent quarterly results demonstrated the need for the strategic reviews undertaken by both

companies and provided further confidence in their strong business fundamentals.

During the period, the portfolio sub-manager increased the Fund's exposure to Consumer Staples and Information Technology by adding new positions in Alimentation Couche-Tard and Oracle, respectively. Lincluden also introduced a position in Allied Properties in Real Estate. All these high-quality holdings were added opportunistically in light of their attractive valuations.

The portfolio sub-manager reduced the exposure to the Materials sector by selling off Corteva and Dow when the stock price of these companies had reached their target. Lincluden also reduced exposure to Energy due to the significant appreciation of the portfolio's holdings within the sector following the sharp increase in oil prices.

#### **FÉRIQUE Canadian Equity Fund (10.7% of the Fund as at June 30, 2021)**

The FÉRIQUE Canadian Equity Fund posted a net return of 17.4% for the period ended June 30, 2021. Its benchmark, the S&P/TSX Composite Index, posted 17.3% for the same period. Contrary to benchmark returns, which include no investment fees, Fund returns are expressed net of management and operating expenses payable by the Fund.

On a relative basis, the Fund outperformed the industry median<sup>1</sup>, which posted 14.5%, net of management fees for the period.

#### **CC&L**

During the period, the portfolio's performance was largely in line with its benchmark's. Stock selection in cyclical sectors such as Energy, Materials and Industrials had a positive impact on performance. Within the Energy sector, overweight positions in Tourmaline Oil and Enbridge contributed positively, while the overweight position in Canadian National Railway Company added value in Industrials. Within Materials, the overweight position in copper company First Quantum Mineral also bolstered returns.

Conversely, in overweight position to renewable energy companies, such as Boralex and Northland Power, detracted from performance. After an extremely strong year in 2020, the renewable energy industry has struggled during the period as rising interest rates have had a negative impact on long duration growth companies. The portfolio's average underweight position to the energy sector also detracted from performance due to the strong increase in oil prices.

In the first quarter, the anticipated higher inflation led the portfolio sub-manager to reduce the underweight position to gold companies, which are commonly used as an inflation hedge. As a result, CC&L added Wheaton Precious Metals and Barrick Gold to the portfolio and increased the overweight position to Financials, which remains a very attractive sector in the current economy as banks and insurers' profitability benefits from higher interest rates and strong economic growth.

The portfolio sub-manager also introduced positions in Power Corporation of Canada and Canadian Imperial Bank of Commerce. Energy producers' growth outlook improved as oil prices increased. After factoring in the ESG risk of multiples that will likely continue to decline due to the global transition to cleaner energy sources, CC&L added energy producers to the portfolio as the target returns, driven by robust cash flow growth, looked very strong.



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As interest rates rose, the portfolio sub-manager reduced the overweight position to software companies, especially to those with a higher multiple. Despite fundamentals remaining strong in the sector, higher interest rates negatively affected valuation multiples, so CC&L reduced the overweight position to the Information Technology sector. The portfolio sub-manager also increased the underweight position to the Utilities sector due to higher interest rates and, in particular, brought down the overweight position in the more expensive renewable energy companies such as Brookfield Renewable Partners.

#### **Franklin Templeton**

Security selection significantly contributed to performance, while sector allocation impeded returns during the period. Security selection within the Materials, Utilities, Energy and Real Estate sector contributed the most to performance. More specifically, overweight positions in Nutrien, ATCO, Tourmaline Oil, Keyera and First Capital REIT within these sectors contributed the most, as did not owning Barrick Gold, Agnico Eagle Mines and Brookfield Renewable Partners. Conversely, some individual holdings within Consumer Discretionary, Communication Services and Information Technology detracted from relative performance.

Other notable contributors to positive performance included an overweight position in Bank of Montreal in Financials and not owning Shopify and Constellation Software in Information Technology. However, not owning Magna International in Industrials and overweight positions in Open Text in Information Technology and Metro and Alimentation Couche-Tard in Consumer Staples were major detractors.

From a sector allocation standpoint, the underweight to underperforming Materials and Information Technology contributed the most to portfolio performance. However, these gains were offset by the overweight to the underperforming Consumer Staples and Utilities sectors, as well as the portfolio's cash allocation during the period.

Trading activity remained steady during the period. The portfolio sub-manager started to reduce the portfolio's cash position early in the fourth quarter of 2020, before the development of highly effective vaccines was announced. The cash proceeds were used to selectively increase exposure to some more cyclical names, especially within the Energy and Financials sectors.

Over the period, the portfolio sub-manager increased most considerably the Fund's exposure to Financials, Energy and Real Estate, while reducing more significantly exposure to Industrials, Information Technology and Consumer Staples. Franklin Templeton did not introduce any new holdings to the portfolio during this period, but added to existing ones.

#### **FÉRIQUE American Equity Fund (10.2% of the Fund as at June 30, 2021)**

The FÉRIQUE American Equity Fund posted a net return of 12.3% for the period ended June 30, 2021. Its benchmark, the S&P 500 Index, posted a 12.0% return for the same period. Contrary to benchmark returns, which include no investment fees, Fund returns are expressed net of management and operating expenses payable by the Fund.

On a relative basis, the Fund outperformed the industry median<sup>1</sup>, which posted 11.3%, net of fees for the period.

#### **Columbia Threadneedle**

Most of the portfolio's outperformance during the period can be attributed to stock selection, which was positive in nine out of 11 sectors. Selection within Consumer Discretionary contributed the most, followed by Information Technology, while stock selection in Industrials detracted the most, followed by Financials.

The portfolio remains relatively sector-neutral. Sector allocation was positive in seven out of 11 sectors for the period and contributed to relative performance overall. The portfolio was most overweight to Communication Services, which bolstered relative returns, and most underweight to Health Care and Consumer Staples, which also helped returns.

The portfolio sub-manager made few changes to the portfolio during the period. Columbia added positions in Akamai Technologies, Baxter International, Splunk Technology and Vertex Pharmaceuticals and liquidated Alexion Pharmaceuticals, AutoZone, Becton, Dickinson and Company, The Coca-Cola Company, Colgate-Palmolive, NXP Semiconductors and Southwest Airlines.

Reflation trade became prominent during the fourth quarter of 2020 and strengthened in the first half of 2021. The portfolio was favourably positioned to perform well in a value period early in the year.

#### **River Road**

From a sector allocation standpoint, the overweight to the Energy sector contributed the most to performance. No other sector significantly added to relative returns during the period. Conversely, the overweight to Utilities, impeded the most, followed by the underweight to Financials.

During the period, the portfolio sub-manager added six new positions to the portfolio and eliminated three. The most significant changes to relative positioning occurred in the Consumer Discretionary, Real Estate and Health Care sectors. The underweight to Consumer Discretionary was reduced by the introduction of a position in Advance Auto Parts. Meanwhile, the underweight to Real Estate was increased following the trimming of the position in Iron Mountain. The overweight to Health Care was reduced, primarily due to reducing the position in Medtronic. ESG factors, including the deployment of renewable energy, have played a material role in determining the portfolio sub-manager's positioning within the Utilities sector.

Another round of fiscal stimulus, talks of additional stimulus and the rapid rollout of the COVID-19 vaccination program in the United States also impacted portfolio performance. These events propelled the market higher in a low-quality, beta-driven rally, which represented a substantial headwind for the portfolio. While the dividend yield bias of the portfolio was a positive, the outperformance of this factor was correlated with the low-quality trade. The portfolio sub-manager's marked emphasis on quality drove adverse stock selection against the dividend yield factor.

#### **FÉRIQUE European Equity Fund (4.9% of the Fund as at June 30, 2021)**

The FÉRIQUE European Equity Fund posted a net return of 6.4% for the period ended June 30, 2021. Its benchmark, the MSCI Europe Index, posted a 9.1% return for the same period. Contrary to benchmark returns, which include no investment fees, Fund returns are expressed net of management and operating expenses payable by the Fund.

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On a relative basis, the Fund underperformed the industry median<sup>1</sup>, which posted 8.4%, net of fees for the period.

#### **Lazard**

The portfolio chiefly underperformed during the first quarter, while posting returns mostly in line with the benchmark in the second quarter of the period. In the first quarter, market conditions were characterized by a strong recovery during which lower-quality stocks significantly outperform and higher-quality companies with stronger return on equity underperform. Consistent with its investment process, the portfolio sub-manager does not usually hold lower-quality equities that outperformed in the first quarter, which explains the portfolio's struggling performance during that time.

Stock selection detracted performance during the period. Danish wind turbine manufacturer Vestas Wind Systems was the largest individual detractor during the period. After posting a very strong performance in 2020, the company suffered from a general reversal of momentum among energy transition stocks during the first quarter.

In the Information Technology sector, TeamViewer's share price fell sharply on the surprising announcement that they had signed a five-year contract to be the main shirt sponsor of Manchester United. This marked a significant increase in marketing spending that would impact margins.

Other detractors to performance included Polish delivery company InPost, which performed well in the initial weeks after its IPO but then weakened on news that AliExpress intends to roll out automatic parcel machines in Poland by the end of next year.

On the positive side, Porsche Automobil Holding was the largest single contributor to performance. The share price was bolstered by good full-year results from Volkswagen (of which Porsche is a holding company) and by speculation about a potential IPO of the Porsche automobile manufacturing business. More generally, Volkswagen is increasingly seen as the most advanced original equipment manufacturers in the shift towards electric vehicles. In Financials, BFF Banking Group performed well due to strong operating performance.

The largest adjustment to the portfolio during the period was the transition from an underweight to an overweight position in the Energy sector.

The portfolio sub-manager also liquidated Flughafen Zurich to take profits following the stock's very strong performance. The transaction significantly reduced the portfolio's exposure to the Industrials sector during this period. Within this sector, Lazard also sold its position in Safran and added instead MTU Aero Engines, a company that offered more exposure to cargo and better credentials from an ESG perspective.

#### **Walter Scott & Partners**

From a sector standpoint, the portfolio's Financials, Consumer Discretionary and Industrials stocks underperformed and detracted the most from relative returns, along with the underweight to the Financials sector. At the individual stock level, Ferrari significantly impeded returns. Conversely, a lack of holdings in the Utilities sector, the benchmark's weakest performing sector, was the largest relative contributor. Real Estate company Big Yellow also outperformed and substantially benefited relative returns.

From a regional perspective, U.K., German and Italian stocks underperformed and detracted the most from relative return. The portfolio's Swiss holdings were among the best performing within

their index and contributed the most to relative performance, with Kuehne & Nagel posting the top individual performance.

Since the start of the mandate of the portfolio sub-manager, the portfolio's turnover ratio has remained low, at around 5%. The portfolio sub-manager believes that pursuing value in the absence of long-term earnings growth or buying growth without taking heed of valuation is not the solution for achieving the long-term returns it seeks.

#### **FÉRIQUE Asian Equity Fund (4.5% of the Fund as at June 30, 2021)**

The FÉRIQUE Asian Equity Fund posted a net return of -1.1% for the period ended June 30, 2021, compared to 2.2% for its benchmark, the MSCI AC Asia Pacific Index. Contrary to benchmark returns, which include no investment fees, Fund returns are expressed net of management and operating expenses payable by the Fund.

On a relative basis, the Fund underperformed the industry median<sup>1</sup>, which posted 1.7%, net of management fees for the period.

Over the period, country allocation detracted from performance. Underweights to Taiwan and Australia and overweight to Indonesia also offset the positive contribution of the lack of exposure to New Zealand and overweight to Singapore.

Stock selection in China, Korea and Taiwan detracted from the relative performance, counteracting the positive selection in India and Indonesia.

In Japan, stock selection slightly impeded relative returns. In particular, overweight positions in electronics companies such as Murata Manufacturing, Anritsu and DISCO Corporation in Information Technology detracted during the period. These growth stocks suffered from the significant market rotation from towards value stocks since the beginning of the year.

In China, underweight positions in Financials and cyclical sectors weighed on returns. More specifically, New Oriental Education and Alibaba fell due to regulatory concerns. Meanwhile, Shenzhou, China Meidong and Tencent outperformed amid resilient earnings prospects, the latter also being supported by attractive valuations relative to other Information Technology stocks.

In Korea, Samsung Electronics lagged due to soft quarterly earnings and rising capital expenditure, while in Taiwan, holdings in TSMC detracted the most amid competition concerns.

India's Tata Steel and Ultratech Cement climbed on the back of rising steel and cement prices, respectively. Private bank ICICI Bank's earnings also increased as the quality of its asset appeared to be steadily improving.

The portfolio sub-manager shifted its exposure to China from an overweight to an underweight to reduce the portfolio's exposure to Emerging Markets. Nomura believes that China could struggle to repeat the stellar performance of last year due to the incremental tightening of its economy and the country's faster recovery compared to its other Asian counterparts. Moreover, regulatory conditions in industries like education and e-commerce, where companies are being forced to invest more, is also hurting overall corporate earnings.

The portfolio sub-manager has also reduced the exposure to Japan on performance concerns and liquidated a number of relatively less attractive small-cap positions.

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**Templeton Emerging Markets Fund  
(1.5% of the Fund as at June 30, 2021)**

For the period ended June 30, 2021, Templeton Emerging Markets Fund, Series O posted a return of 6.0% gross of management fees, compared to 4.6% for its benchmark, the MSCI Emerging Markets Index.

During the period, stock selection in Consumer Discretionary and Information Technology, as well as a lack of holdings in Materials impeded relative returns. Conversely, stock selection in Communication Services, Financials and Energy, along with an overweight to Information Technology bolstered relative performance.

From a regional perspective, stock selection in China, Taiwan and South Africa weighed on relative returns, while the overweight to South Korea, Russia and Brazil was beneficial.

The portfolio's high conviction holdings added most value during the period. Chiefly among them was Naver, the "Google of South Korea", with its dominant internet search portal in its home market, growing online ecosystem and user loyalty in e-commerce.

However, Samsung Electronics lagged the broader market over the period. While the company reported strong quarterly earnings, concerns over component shortages and the durability of a price recovery for memory chips dented investor sentiment. Franklin Templeton believes that demand and supply trends in the memory chip market remain favourable and will benefit Samsung.

Tencent's stock price fell in the second quarter, as the Chinese government tightened its grip on the internet sector through antitrust investigations and new online lending rules. Franklin Templeton continues to see strength in Tencent's core gaming and advertising businesses and believes there are longer-term monetization opportunities in its cloud solutions and other services.

**NEI Emerging Markets Fund  
(1.6% of the Fund as at June 30, 2021)**

For the period ended June 30, 2021, the NEI Emerging Markets Fund, Series I posted a return of 6.2% gross of management fees, compared to 4.6% for its benchmark, the MSCI Emerging Markets Index.

Health Care, Financials and Communication Services contributed the most to performance, while Energy and Materials were the only detractors.

From a regional perspective, allocations to China, Brazil and South Africa boosted returns, whereas positions in Taiwan, Indonesia and Russia impeded.

At the stock level, Li-Ning, WuXi Biologics and WuXi AppTec were among the top-performing holdings. However, TAL Education Group, Muangthai Capital and Samsung Electro-Mechanics significantly impeded returns.

In Asia, Chinese equities rose despite underperforming the benchmark, as cyclical sectors continued to benefit from the ongoing recovery and export data and manufacturing sentiment further improved. However, policy headwinds dragged down banks and real estate companies. Korean equities climbed, supported by strong data on manufacturing and industrial production, while earnings forecasts continued their upward trend. The country's large Information Technology sector benefited from the central bank's optimistic comments on the short-term nature of inflationary pressures. Several successful new listings within the sector also

supported market sentiment. In Taiwan, the release of positive financial results by Information Technology companies boosted sentiment too. Meanwhile, Indian equities benefited from declining virus caseloads and the easing of COVID-19 restrictions.

Latin America was the top-performing region, as commodity-sensitive markets fared particularly well in light of rising oil prices.

The strengthening demand for commodities supported Russian equities, as the country's economy continued to recover faster than expected after COVID-19 restrictions were relaxed. By contrast, South African stocks lagged the benchmark due to concerns over the coronavirus and some weakness in precious metals markets, which weighed on the country's large mining sector.

**TD Emerging Markets Fund  
(1.5% of the Fund as at June 30, 2021)**

For the period ended June 30, 2021, the TD Emerging Markets Fund, Series O posted a return of 5.6% gross of management fees, compared to 4.6% for its benchmark, the MSCI Emerging Markets Index.

During the period, the portfolio's country allocation contributed positively to returns in aggregate, led by an underweight to China and overweights to Russia and South Africa.

Stock selection in Russia bolstered returns, due mainly to allocations to digital bank Tinkoff Bank, steel producer NLMK and low-cost natural gas company Novatek. In South Africa, allocations to mining companies Anglo American and Anglo American Platinum and to packaging and paper group Mondi contributed.

Stock selection in Taiwan and Indonesia also helped performance. In Taiwan, positions in ASE Group and Taiwan Semiconductor Manufacturing Company added to returns as TD continued to invest in market leaders that are expected to deliver strong earnings, particularly since the secular semiconductor growth trend is in its early stages.

From a sector perspective, the portfolio's selection in Information Technology, Communication Services and select Financials stocks contributed.

Conversely, an overweight to Brazil and stock selection within the country detracted, driven by the lack of exposure to Vale and a position in PagSeguro, which underperformed on concerns that transaction volumes could be negatively impacted by rising COVID-19 cases in Brazil. Vale rallied strongly during the period on the back rising iron ore prices, but TD decided not to invest in the company over ESG concerns, especially with regard to environmental contingency risks. A lack of position in Saudi Arabia and stock selection in China and Poland also detracted.

During the period, TD continued to align the portfolio with a barbell investment strategy, maintaining an overweight to secular growth winners and incrementally adding cyclical stocks expected to do well in the recovery, including select Materials and Energy companies that meet the Sub-Adviser's high-quality criteria with sustainable earnings.

The portfolio's allocation to Materials was also increased during the period as TD added select quality, low-cost producers with good supply discipline and strong management teams that are well positioned with regard to environmental, social and governance (ESG) opportunities and risk.

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TD also decreased the portfolio's allocation to Consumer Staples, a sector that outperformed during the pandemic but lacks secular growth drivers and is not expected to benefit from a cyclical recovery.

**FÉRIQUE Global Sustainable Development Equity Fund  
(4.8% of the Fund as at June 30, 2021)**

The FÉRIQUE Global Sustainable Development Equity Fund, managed by Impax, began operations on January 8, 2021. Since the Fund had existed for less than twelve months as at June 30, 2021, data relative to its performance is not presented herein.

**FÉRIQUE Global Innovation Equity Fund  
(4.7% of the Fund as at June 30, 2021)**

The FÉRIQUE Global Innovation Equity Fund, managed by Wellington, began operations on January 8, 2021. Since the Fund had existed for less than twelve months as at June 30, 2021, data relative to its performance is not presented herein.

## Recent Developments

**FÉRIQUE Canadian Bond Fund  
(21.7% of the Fund as at June 30, 2021)**

### *Addenda*

Economic and epidemiological indicators show that economic conditions have improved faster than experts had anticipated. Against this backdrop, central banks have kept their key interest rates anchored near zero to ensure they meet their inflation targets. The U.S. Federal Reserve has confirmed that it will wait until inflation exceeds its target before raising its key interest rate. During the period, government support programs for the economy also generated significant financing needs.

The bond market will have to deal with these additional financing needs at a time when central banks are trying to boost inflation. Economic growth is also pushing up inflation as commodity prices strengthen. However, central banks will want to ensure that monetary conditions continue to fuel growth, i.e., that the upward pressure on interest rates resulting from the large supply of bonds does not lead to a collapse in equity markets. Stock markets should not be overly affected by rate hikes if economic growth leads to increased profitability outlook.

Central banks continue to buy bonds issued by their governments, of which they are supposedly independent, to offset the increase in bond interest rates that would occur in such a situation. However, these bond purchase programs are not sufficient to absorb the debt issues arising from government financing needs.

### *Baker Gilmore*

The COVID-19 pandemic will continue to significantly impact the global economy in the coming quarters, especially as infection rates in Europe and North America, while in decline, are dragging down economic activity. The development and distribution of vaccines in many parts of the world represents a positive development, but significant logistical challenges remain in several countries.

After monetary authorities from across the globe reduced interest rates at or below 0%, they injected significant amounts of liquidity into the economy, expanded quantitative easing programs and increased access to credit. While the global economy fell into a deep recession in the first half of 2020, economic activity began

to rebound significantly in the second half of the year. Since then, economic indicators continue to point to a robust recovery.

As vaccination rates increase over the next 12 to 18 months and the pandemic subsides, the recovery is expected to continue and gain momentum, leading to a rise in overall price levels as demand is driven by massive monetary and fiscal stimulus measures and production restrained by global supply chain disruptions. Protectionism and reshoring the manufacturing of so-called essential materials and supplies, such as medical equipment, will also push upward production costs and, ultimately, inflation.

As the economy improves, markets will continue to factor in a possible reduction in central bank bond purchases. Against this backdrop, Baker Gilmore is keeping the portfolio duration slightly shorter than the benchmark.

Although the portfolio sub-manager expects the rise in government bond rates to remain fairly limited, the portfolio remains underweight to long-term bonds in anticipation of a rise in inflation and record deficits that will probably steepen the yield curve.

From a sector allocation perspective, within the federal securities portion, the portfolio maintains a position in AAA-noted NHA bonds because of their attractive spreads. The portfolio is underweight to provincial securities and overweight to Financials securities. The portfolio remains overweight to asset-backed securities, with a bias toward AAA-noted issuers, and to real return bonds, given the potential for higher inflation as monetary and fiscal policies stimulate a strong recovery and the possibility that recent disruptions will have brought about more permanent changes in some global supply chains.

**FÉRIQUE Global Sustainable Development Bond Fund  
(8.4% of the Fund as at June 30, 2021)**

### *AlphaFixe*

Investors don't know if the inflationary pressures seen so far this year are transitory or structural in nature. In the United States, the latest Consumer Price Index report suggests that, excluding energy and food, prices have increased 3.8% year-over-year—the sharpest rise since June 1992.

Under normal circumstances, the U.S. Federal Reserve (Fed) would have intervened when faced with such a surge in prices, but the new U.S. monetary policy framework favours a more cautious approach. However, certain members of the Federal Open Market Committee do not want to deviate from the previous, more proactive framework and would rather rates increased in 2023, or even in 2022. Almost a year after its adoption, the new framework, which targets a 2% average inflation rate over the long term, is still misunderstood. The Fed will have to stay the course in spite of inflation in order to bolster the credibility of their new approach favouring inflation to the detriment of long-term rates.

Led by Fed Chairman Jerome Powell, the Federal Open Market Committee believes that while upward pressure on prices is temporary, a policy blunder could prove costly for the economy. As a result, the Committee recommends patience, since the longer the Fed waits to hike rates, the stronger the economic expansion will be and the more permanent the price increase will become.

Against this backdrop, the portfolio manager keeps the portfolio's duration shorter than that of its benchmark index by underweighting long-term bonds. Low interest rates will have a positive impact on



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the economy and, therefore, on corporate bonds. For this reason, the portfolio manager overweights this sector.

### **BMO**

The market narrative that growth and inflation would strengthen throughout 2021 was fuelled by a combination of a broad-based and effective vaccine rollout within developed markets and the large fiscal stimulus package adopted by the U.S. Congress after the U.S. election. Delayed vaccine rollouts and a more restrained fiscal response in the eurozone indicate that growth will likely slow down.

As a result, the portfolio manager believes that bond yields have further room to rise, especially in the United States where Congress's major fiscal stimulus measures and the U.S. Federal Reserve's accommodative monetary policy could stoke more inflationary pressures. Although inflationary pressures seem at the moment to be largely transitory—exacerbated in certain sectors by supply chain constraints—a sharp fall in unemployment combined with strong wage growth could likely create self-sustaining inflationary pressures. This situation will most probably force central banks to adopt a more hawkish position for the remainder of the year, leading to a reduction in quantitative easing and anticipated discussions of raising interest rates.

The portfolio's cautious credit positioning reflects a prudent outlook with regard to interest rates and the multi-year tight valuations. The portfolio manager's stance could prompt credit spreads to widen over the course of the credit cycle and as issuance continues to increase. The market for green, social and sustainable bonds is still growing strongly, particularly in Europe. It allowed the portfolio manager to participate in a number of new issues and add green bonds from companies such as Daimler and Danish renewable energy supplier Orsted to the portfolio.

### **FÉRIQUE Globally Diversified Income Fund (7.1% of the Fund as at June 30, 2021)**

Inflation is likely to only exert a temporary pressure on the economy, as the current rate is distorted by the base effect caused by the unusually low inflation rates recorded last year when lockdowns were implemented due to the pandemic. Fiscal stimulus measures and a historically high savings rate are expected to support continued economic growth. The unemployment rate will likely decline as businesses and organizations forced to close due to the pandemic reopen. Central banks are expected to maintain expansionary monetary policies at the effective lower bound and only slightly cut their bond purchase programs. They may modify their quantitative easing programs in order, for example, to manage the rate environment through yield curve control strategies.

Cyclical inflation resulting from supportive monetary and fiscal policy may drive longer-term interest rates higher than expected. Global growth is set to continue improving through 2021 as financial conditions remain exceptionally loose. However, the recovery will likely become less synchronized given early signs of approaches to monetary and fiscal policy diverging globally.

The portfolio will maintain an overweight to corporate credit and an exposure to high-yield securities and preferred shares. The preferred share market's performance has exceeded the portfolio sub-manager's expectations. As a result, the overall allocation to this asset class will be reduced. The equity market is forecast to continue outperforming fixed income securities, so an overweight allocation to dividend equities will be maintained to capture additional yield

and capital gains. The global bond allocation will remain slightly underweight and be increased opportunistically when better valuation levels appear.

### **FÉRIQUE Canadian Dividend Equity Fund (16.0% of the Fund as at June 30, 2021)**

The portfolio sub-manager remains concerned about the complacency observed in certain sectors of the equity markets where valuations of technology and concept stocks are high. Lincluden is carefully monitoring inflation and expects that it will remain moderate, which should benefit most of the Fund's holdings as a result of increased economic activity. A re-emergence of the COVID-19 virus and its variants—and the potential lockdowns that would ensue—and ongoing global trade tensions are some of the global events that may impact the portfolio's performance going forward.

The Fund is structured to take advantage of mispricing opportunities in higher quality holdings, while benefiting from their steady flow of above-average dividends. It maintains a smaller allocation in higher potential, out-of-favour names. The Fund's positioning also reflects the portfolio sub-manager's commitment to integrate ESG factors into the investment process and ensure that the companies uphold best practices in this regard. In the long run, the Fund is expected to benefit from the re-pricing of its undervalued holdings and from an above-market dividend yield.

### **FÉRIQUE Canadian Equity Fund (10.7% of the Fund as at June 30, 2021)**

#### **CC&L**

Inflation remains a key focus for investors and the top risk to equity markets. The recent spike in inflation does seem to be transitory in nature and the portfolio sub-manager expects price increases to moderate in the coming months. CC&L will, however, continue to monitor and evaluate data as it comes. Any heightened inflation leading central banks to raise interest rates faster than expected would have a negative impact on equity markets and portfolio performance.

Next time the portfolio sub-manager changes the strategic positioning, the portfolio will be adjusted for mid-cycle economic conditions. CC&L has already started this process by slightly reducing the exposure—while maintaining an overweight—to the typical early-cycle industries, such as automobiles, consumer discretionary and lumber. Inflationary pressures are expected to increase and the economy will keep growing over the cycle. As a consequence, the portfolio sub-manager will continue to rotate the portfolio into companies that benefit from this economic backdrop.

For instance, CC&L believes copper companies will outperform due to increased demand for their product because the economy is growing and the metal is a key input for many renewable energy sources. Infrastructure, aerospace and rails are industries that should benefit from this economic backdrop. Gold will also benefit from an inflationary environment, as will companies that are able to pass on the price increases to customers like grocery stores.

#### **Franklin Templeton**

Although markets largely remained stimulus-driven and exuberant during the period and continued to lack discernment regarding valuations, their broadening strength was reflected by the good performance of the sectors disproportionately affected by

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the pandemic. Energy, Financials, Consumer Discretionary and Real Estate have all posted double-digit returns in the first half of the year.

While vaccination campaigns continue and society is slowly returning to “normal”, stimulus measures will likely wind down and the threat of inflation will look, possibly pushing market participants to adopt a more balanced and discerning approach to valuations. Early evidence of such reactions to rising inflation expectation has been observed in the 10-year Canadian and U.S. bond yields.

Increasing rates have a negative impact on the current value of long-term assets, companies with leveraged capital structures and yield-oriented equities. Nevertheless, in isolation, rising rates can bolster the operating profitability of Financials companies with either a non-responsive deposit base (banks) or difficult-to-match long-duration liabilities (insurance companies).

Franklin Templeton is a bottom-up investor and maintains a portfolio of attractively valued and high-quality equities that seek to advance their business models and allocate capital to strengthen their competitive positions and create shareholder value. Throughout the pandemic, companies held in the portfolio have performed well from an operating and financial perspective and, as a result, the portfolio sub-manager is increasingly confident in the portfolio's relative return potential, given the extremes to which stimulus measures have affected some corners of the market.

The portfolio sub-manager continues to emphasize valuations and remains selective with regard to growth stocks in light of its long-term and risk-aware approach and the market's disregard for fundamentals and valuation in favour of momentum and potential. In recent years, this aspect of the portfolio's orientation has detracted from relative performance. However, Franklin Templeton expects it to normalize the Fund's advantage over time.

#### **FÉRIQUE American Equity Fund (10.2% of the Fund as at June 30, 2021)**

##### ***Columbia Threadneedle***

Investors are now looking forward to the U.S. government potentially adopting a wide-ranging infrastructure bill worth approximately \$1 trillion dollars that would be paid by increasing corporate and individual tax rates. While it aggrieved some lawmakers, this prospect did not damp market sentiment.

The market remains squarely focused on the acceleration in the pace of vaccination, the reopening of the economy, improvement in the supply chain and life returning to normal. Economic debate continues to emphasize two key topics: whether inflation is transitory or sustained and whether a labour shortage is hampering economic recovery. Meanwhile, corporate earnings and capital markets are strong. The portfolio sub-manager maintains a constructive outlook on the market overall, while acknowledging that recovery still depends on getting the virus fully under control.

##### ***River Road***

During the period, earnings expectations have rebounded sharply alongside improving economic growth outlook. The portfolio sub-manager believes that the broadening economic rebound in 2021 should continue to favour value stocks over growth stocks. As the market moves out of the early phase of the recovery amid low interest rates, higher quality and dividend-paying stocks' relative returns should remain positive.

Valuations became once again a significant concern for the broader market. Corporate tax increases or a sudden surge in inflation expectations could very well weigh on the current high multiples and possibly undermine the overconfidence prevailing on equity markets. The portfolio sub-manager continues to seek opportunities in defensive sectors, which have lagged in recent months, as it would provide exposure to companies with less elastic products and services that are able to pass along rising costs to their customers.

Absent a pullback in the broader market, River Road expects the portfolio's turnover ratio to remain at the low end of the target range. Coming out of the crisis, the portfolio holds companies that can deliver attractive returns and stable, growing dividends in an environment where rates are likely to remain low until the end of the year.

#### **FÉRIQUE European Equity Fund (4.9% of the Fund as at June 30, 2021)**

##### ***Lazard***

The portfolio sub-manager expects market sentiment to rise and fall throughout the remainder of the year, as the market conditions become more mixed and nuanced. As inflation remains the greatest debate, Lazard is waiting to see what will be its impacts across the supply chain and on companies that will try to pass on the cost increases to their customers.

Many companies are highlighting that the pandemic has provided them with new insights into their businesses and pointed to changes they could implement to improve their margins, for example.

Lazard continues to maintain a disciplined security selection process by seeking companies that demonstrate high or improving return on equity at attractive valuations and focusing on achieving asymmetric risk and return when constructing the portfolio.

The portfolio sub-manager finds many interesting opportunities in the Consumer Discretionary sector, with Porsche being one of the portfolio's largest active positions. Automotive components business Continental also remains a significant holding, while restaurant and food outlet company SSP Group provides the portfolio with exposure to the post-COVID-19 recovery in the travel industry.

In the Energy sector, the portfolio holds BP and recently trimmed its position in Galp Energia to add Royal Dutch Shell. Energy companies contend with the challenge of balancing shareholder returns, investments in production growth and the transition to renewable energy. The portfolio sub-manager takes into account the risks and opportunities outlined by its integrated approach to ESG analysis when picking stocks and adjusting their weightings.

Information Technology and Health Care remain the sectors most underweighted. In the Information Technology sector, valuations continue to be very extended and momentum persists due to low interest rates and good supply growth. However, circumstances such as chip shortages could disrupt the sector and increase earnings volatility. In Health Care, the portfolio sub-manager maintains a cautious stance in light of the large amount of health care spending the new U.S. administration is proposing that may stretch the country's budget. A lack of innovation in recent years has also curbed future growth, limiting the investment opportunities.

From an ESG perspective, corporate real estate in Germany highlights an interesting example of how environmental legislation is changing market returns. The portfolio sub-manager believes the market is overly focused on the politics surrounding rising rents and rental

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property ownership, while investing in property portfolios to make them more energy efficient is the real opportunity and remain largely underestimated by the market.

#### **Walter Scott & Partners**

While conditions remain challenging for many companies due to the unpreventable uncertainty surrounding the vaccine roll-outs and potential further lockdowns, management teams are growing increasingly optimistic about their outlook. Having successfully navigated these difficult times, they are now eager to reap the returns on their investments and continue to pursue growth.

The portfolio sub-manager agrees with other experts that the economy will likely recover this year. However, its position diverges with regard to the extent and duration of the rebound. Moreover, the portfolio sub-manager believes that the economic recovery will only benefit a select few.

Walter Scott & Partners will continue to be guided by its investment approach, demanding criteria, challenging research process and long-term outlook.

Areas of the market where Walter Scott & Partners deliberately lacks exposure or remains underweight might continue to rise to the continued detriment of the portfolio's relative performance. As ever, the portfolio sub-manager must not get distracted and instead do everything possible to deliver long-term performance, through investment in world-leading companies with market strength, compelling track records of innovation and very often, geographic diversification, as well as financial strength and sustainable operations.

#### **FÉRIQUE Asian Equity Fund (4.5% of the Fund as at June 30, 2021)**

In Japan, the recent acceleration of the vaccination campaign could result in the economy reopening earlier than expected. In such case, domestic-oriented industries that have been weakest since the outbreak of the pandemic, such as railway operators, restaurants and department stores, might enjoy a significant short-term rebound. As the portfolio sub-manager maintains an underweight to these industries due to their lack of attractive long-term investment perspective, this situation could temporarily hurt the portfolio's relative performance.

A sustained upswing in inflation alongside an abrupt economic recovery could force central banks to normalize their monetary policy sooner than expected. Uncertainty around the direction and extent of U.S. interest rates could contribute to market volatility and have an impact on several Asian economies.

A significant slowdown in the Chinese economy would also weigh on exports within Asia given China's significant contribution within the region. If global demand turns sluggish, especially in China, commodity prices could decline, which would negatively impact the returns due to an overweight to resource-related stocks. Meanwhile, a spike in crude oil prices would also weigh on several Asian economies that are running persistent current account and fiscal deficits.

The portfolio sub-manager believes that the rebound in Japanese domestic-demand stocks, which could benefit from the reopening of the country's economy, will be transitory. Over the longer term, Nomura continues to favour export-oriented manufacturing sectors that are expected to take advantage of a strong upturn in the global

economy. These globally competitive manufacturers will likely deliver more sustained earnings growth.

The portfolio sub-manager also continues to believe in the Australian mining sector, given the ongoing earnings upgrades and strong free cash flow generation.

In Korea, exports are strong and the memory sector is in an optimal position, but the automobile industry is facing risks of supply chain disruptions and retail flows are weakening.

The Indian market posted strong gains; reflecting the positive retail activity and a shift in market share to the organized sector. Corporate results were a positive surprise and could have resulted in upgrades if not for the partial lockdowns that have been put in place. However, valuations look stretched.

#### **Templeton Emerging Markets Fund (1.5% of the Fund as at June 30, 2021)**

Going into 2021, Franklin Templeton was well positioned to post a good performance, regardless of market conditions, given its all-weather Core approach that focuses on businesses with sustainable earnings power trading at a discount to their intrinsic value.

During the period, investors swung between optimism and caution as they weighed the impacts on the market of COVID-19 vaccine rollouts, economic reopenings and higher commodity prices against new COVID-19 outbreaks and rising inflation. Concerns that the U.S. Federal Reserve could tighten its monetary policy sooner than expected curbed risk appetite.

The global consequences of the COVID-19 have largely continued to subside thanks to the increasing pace of vaccination. While some countries remain hindered by other waves of infections and the new variants, Franklin Templeton still expects a global economic recovery led by EMs (especially China).

There is strong corporate earnings momentum in EMs, thanks to higher sales volumes and prices in several industries. Against this backdrop, Franklin Templeton will continue to favour companies with sustainable earnings power that trade at a discount to their intrinsic value.

Franklin Templeton also expects a broader adoption of technology in EMs, which will boost productivity and economic growth, while creating business opportunities for innovative companies. Technological progress has contributed to the rise of world-leading EM companies in the electric vehicle component and solar energy industries, and there is further room for them to grow.

#### **NEI Emerging Markets Fund (1.6% of the Fund as at June 30, 2021)**

As COVID-19 restriction measures continued to be eased in EMs, economic activity has picked up and reached pre-pandemic levels, earnings outlook was revised significantly upward and political risk was reduced.

Vaccine optimism has fuelled positive investor sentiment globally, but its distribution may remain challenging in the near term.

Meanwhile, inflation outlook is still a key issue for both emerging and global markets as central banks may begin to tighten monetary policy.

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In the current environment, NEI believes that structural growth opportunities should remain the core of the portfolio. As a consequence, NEI is adopting a barbell investment approach for the portfolio. Markets are showing signs of inflationary pressure during the recovery; however, but such pressure tends to be subdued in EMs.

Political risk has been reduced with regard to U.S. - China relations with the arrival of the new U.S. administration. NEI does not expect any material changes to intervene in the near term, given the bipartisan support for the current administration's policy towards Beijing and likely support of allied countries. However, discussions between the two countries may become more pragmatic and diplomatic.

#### **TD Emerging Markets Fund (1.5% of the Fund as at June 30, 2021)**

TD is optimistic on the broad outlook for Emerging Markets (EM) equities over the next five-plus years after the market dominance of the United States of the past decade. An eventual weakening of the U.S. dollar, the recovery of commodities prices and emerging reforms and digital innovations emanating from many EM countries are among the key catalysts to trigger robust returns for EM equities.

Diversified exporters like Brazil could gain from a broad increase in commodity prices. As net-zero emission regulations multiply globally, countries involved in green electricity production (i.e. nickel, aluminum and copper producers) like Chile and Peru will benefit. The move toward a green hydrogen economy will also boost the economy of platinum exporters, chiefly among them are South Africa and Russia.

TD is maintaining an overweight to secular growth winners and incrementally adding cyclical stocks expected to do well in the recovery, including select Materials and Energy companies that meet the Sub-Adviser's high-quality criteria with sustainable earnings. From a country allocation perspective, the portfolio remains overweight to countries with healthy or improving domestic demand, low debt and resilience in the face of declining global trade and increased nationalism and protectionism.

#### **FÉRIQUE Global Sustainable Development Equity Fund (4.8% of the Fund as at June 30, 2021)**

Economic activity accelerated due to the lifting of COVID-19 restrictions and rapid progress of vaccination campaigns. Gross domestic product (GDP) and earnings growth are expected to continue their sharp recovery in 2021, driven by pent-up demand as economies open further and consumer and business confidence returns. As confidence increases, bond yields, commodities and inflation have risen, triggering a rotation in the equity market away from quality stocks and toward more economically sensitive, lower quality, smaller-cap and value stocks.

Against this backdrop, Impax maintained the portfolio's positioning, which offers a balance between cyclical and defensive companies. The portfolio is invested over a longer-term horizon in quality companies with durable competitive advantages, robust sustainability characteristics, above-average financial quality and appropriate leverage that are resilient to external risk factors. Market rotation away from quality stocks and COVID-19 beneficiaries has affected the performance of some companies in the portfolio more recently, despite continued solid fundamentals.

In the United States, the rise in inflation has pushed ahead the next expected interest rate hike. Impax believes that the current inflation surge will be transitory and that high-quality companies benefiting from the transition to a more sustainable economy will continue to present attractive long-term investment opportunities as the recovery matures.

The portfolio sub-manager continues to favour companies demonstrating consistent growth and operational return profiles coupled with lower debt levels. Areas of interest include businesses benefiting from increased spending for drug discovery and testing or from the acceleration of the digital transformation, as well as companies providing access to the financial market or promoting the sharing economy.

#### **FÉRIQUE Global Innovation Equity Fund (4.7% of the Fund as at June 30, 2021)**

The portfolio sub-manager made only slight changes to portfolio positioning over the period. Positions were initiated in Chipotle Mexican Grill, Airbnb and RingCentral, among others. Conversely, holdings in which Wellington had lost conviction, such as Nike, VF Corporation and Electronic Arts, were liquidated.

In terms of sector positioning, the overweight to Health Care was increased the most during the period, while the overweight to Communication Services was reduced the most. Regionally, the portfolio remains most overweight to North America and most underweight to Europe ex-United Kingdom.

The portfolio sub-manager seeks long-term returns opportunities. As a result, Wellington's strategy is not to simply rotate capital to areas of the market, like the airline industry, that provide exposure to the short-term economic rebound, but where the companies' fundamentals remain the same today as they did a decade ago. Instead, the portfolio sub-manager invests in the future and looks for opportunities beyond the short-term cyclical recovery.

Wellington continues to believe that discovering companies that are truly innovative or benefiting from structural change will provide attractive return opportunities. Truly innovative companies control their own destiny by creating a new industry or meaningfully altering the playing field in an existing industry, driving revenue and profit growth regardless of economic cycles. These businesses usually leverage a new technology or process to drive share capture, or are exposed to seismic structural changes, such as machine learning, electric vehicles, immuno-oncology, the democratization of finance or e-commerce. The pace of innovation has never been so exciting. With its bottom-up stock picking approach and extensive experience in innovation-rich sectors, the portfolio sub-manager is confident in its capacity to manage risk through both fundamentals and valuation.

#### **Related Party Transactions**

The Manager of the Fund is Gestion FÉRIQUE, a not-for-profit organization. Gestion FÉRIQUE receives management fees to cover its expenses with respect to the day-to-day business and operations of the Fund, as reported under the Management Fees section. These expenses include the portfolio manager's fees, the fees relating to the marketing and distribution of the Fund, as well as the administration fees of the Manager.

<sup>1</sup> Source: Median return of similar funds according to Funddata, as at June 30, 2021.



*As at June 30, 2021*

Services d'investissement FÉRIQUE (SIF) is a not-for-profit subsidiary of Gestion FÉRIQUE registered as a group savings plan brokerage and financial planning firm, and acts as distributor of units of the Fund. A percentage of the management fees paid by the Fund to Gestion FÉRIQUE is used to cover the expenses of SIF with respect to its day-to-day activities.

Gestion FÉRIQUE is responsible for the operating expenses of the Fund, excluding the expenses of the Independent Review Committee and the filing fees, in return for an administration fee, as reported under the Management Fees section.

For the six-month period ended June 30, 2021, Addenda did not enter into any related party transactions as it pertains to the management of the monetary market portion of the FÉRIQUE Balanced Portfolio (\$0 as at December 31, 2020).

For the six-month period ended June 30, 2021, AlphaFixe and BMO did not enter into any related party transactions as it pertains to the management of the FÉRIQUE Global Sustainable Development Bond Fund (n.a. as at December 31, 2020).

For the six-month period ended June 30, 2021, Addenda and Baker Gilmore did not enter into any related party transactions as it pertains to the management of the FÉRIQUE Canadian Bond Fund (\$0 as at December 31, 2020).

For the six-month period ended June 30, 2021, Addenda did not enter into any related party transactions as it pertains to the management of the FÉRIQUE Globally Diversified Income Fund (\$0 as at December 31, 2020).

For the six-month period ended June 30, 2021, Lincluden did not enter into any related party transactions as it pertains to the management of the FÉRIQUE Canadian Dividend Equity Fund (\$0 as at December 31, 2020).

For the six-month period ended June 30, 2021, CC&L and Franklin Templeton did not enter into any related party transactions as it pertains to the management of the FÉRIQUE Canadian Equity Fund (\$0 as at December 31, 2020).

For the six-month period ended June 30, 2021, Columbia Threadneedle and River Road did not enter into any related party transactions as it pertains to the management of the FÉRIQUE American Equity Fund (\$0 as at December 31, 2020).

For the six-month period ended June 30, 2021, Lazard and Walter Scott & Partners did not enter into any related party transactions as it pertains to the management of the FÉRIQUE European Equity Fund (\$0 as at December 31, 2020).

For the six-month period ended June 30, 2021, Nomura did not enter into any related party transactions as it pertains to the management of the FÉRIQUE Asian Equity Fund (\$0 as at December 31, 2020).

For the six-month period ended June 30, 2021, Franklin Templeton did not enter into any related party transactions as it pertains to the management of the Templeton Emerging Markets Fund (\$0 as at December 31, 2020).

For the six-month period ended June 30, 2021, NEI did not enter into any related party transactions as it pertains to the management of the NEI Emerging Markets Fund (\$0 as at December 31, 2020).

For the six-month period ended June 30, 2021, TD did not enter into any related party transactions as it pertains to the management of the TD Emerging Markets Fund (\$0 as at December 31, 2020).

For the six-month period ended June 30, 2021, Impax did not enter into any related party transactions as it pertains to the management of the FÉRIQUE Global Sustainable Development Equity Fund (n.a. as at December 31, 2020).

For the six-month period ended June 30, 2021, Wellington did not enter into any related party transactions as it pertains to the management of the FÉRIQUE Global Innovation Equity Fund (n.a. as at December 31, 2020).

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## Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help the reader understand the Fund's financial performance for the accounting periods shown.

	Six-month period ended	Years ended				
	<b>June 30 2021</b> (6 months)	Dec. 31 2020 (12 months)	Dec. 31 2019 (12 months)	Dec. 31 2018 (12 months)	Dec. 31 2017 (12 months)	Dec. 31 2016 (12 months)
<b>Net Assets per Unit</b> <sup>(1)(5)</sup>	\$	\$	\$	\$	\$	\$
Net assets, beginning of accounting period <sup>(4)</sup>	<b>68.00</b>	64.24	57.57	61.80	57.97	56.38
<b>Increase (decrease) from operations</b>						
Total revenues	<b>0.45</b>	1.06	1.37	1.14	0.98	0.93
Total expenses	<b>(0.05)</b>	(0.09)	(0.08)	(0.07)	(0.08)	(0.07)
Realized gains (losses)	<b>2.55</b>	1.61	0.65	1.41	1.17	1.55
Unrealized gains (losses)	<b>1.34</b>	2.03	5.97	(5.19)	2.61	0.88
<b>Total increase (decrease) from operations</b> <sup>(2)</sup>	<b>4.29</b>	4.61	7.91	(2.71)	4.68	3.29
<b>Distributions</b>						
From investment net income (excluding dividends)	<b>0.12</b>	0.34	0.38	0.43	0.34	0.32
From dividends	<b>0.23</b>	0.62	0.88	0.60	0.52	0.52
From capital gains	<b>–</b>	–	–	0.51	–	0.85
<b>Total annual distributions</b> <sup>(3)</sup>	<b>0.35</b>	0.96	1.26	1.54	0.86	1.69
<b>Net assets, end of accounting period</b> <sup>(4)</sup>	<b>71.93</b>	68.00	64.24	57.57	61.80	57.97

<sup>(1)</sup> This information is derived from the Fund's Annual Audited Financial Statements and Interim Unaudited Financial Statements. The net assets per unit presented in the financial statements could differ from the net asset value calculated for fund pricing purposes. The differences are explained in the notes to the financial statements.

<sup>(2)</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase or decrease from operations is based on the weighted average number of units outstanding during the accounting period. This table is not intended to show a reconciliation between net assets per unit at the beginning and at the end of the accounting period.

<sup>(3)</sup> Distributions were paid in cash or reinvested in additional units of the Fund, or both.

<sup>(4)</sup> The net assets are calculated in accordance with International Financial Reporting Standards (IFRS).

<sup>(5)</sup> In this document, the word "units" indicates Series A units.

	Six-month period ended	Years ended				
	<b>June 30 2021</b> (6 months)	Dec. 31 2020 (12 months)	Dec. 31 2019 (12 months)	Dec. 31 2018 (12 months)	Dec. 31 2017 (12 months)	Dec. 31 2016 (12 months)
<b>Ratios and Supplemental Data</b>						
Net asset value (in thousands of \$) <sup>(1)</sup>	<b>1,189,963</b>	1,060,298	992,953	862,869	896,390	805,052
Number of units outstanding <sup>(1)</sup>	<b>16,543,866</b>	15,592,201	15,458,132	14,989,088	14,505,288	13,887,040
Management expense ratio (%) <sup>(2)</sup>	<b>1.12</b>	1.09	1.09	1.05	1.08	1.10
Management expense ratio before waivers or absorptions by the Manager (%)	<b>1.12</b>	1.09	1.09	1.05	1.08	1.10
Portfolio turnover rate (%) <sup>(3)</sup>	<b>n/a</b>	n/a	n/a	n/a	n/a	n/a
Trading expense ratio (%) <sup>(4)</sup>	<b>0.03</b>	0.06	0.05	0.06	0.08	0.07
Net asset value per unit (\$)	<b>71.93</b>	68.00	64.23	57.57	61.80	57.97

<sup>(1)</sup> This information is provided as at June 30, 2021 and as at December 31 for the comparative accounting periods.

<sup>(2)</sup> Management expense ratio is based on total expenses for the stated accounting period (excluding commissions, other portfolio transaction costs and withholding taxes on dividend income) and is expressed as an annualized percentage of the daily average net asset value during the accounting period.

<sup>(3)</sup> The Fund's portfolio turnover rate indicates how actively the Fund's portfolio manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once during the accounting period. The higher a Fund's portfolio turnover rate in the accounting period, the greater the trading costs payable by the Fund during the accounting period, and the greater the chance of an investor receiving taxable capital gains during the accounting period. There is not necessarily a relationship between a high turnover rate and the performance of a Fund. The portfolio turnover rate is not applicable for the money market.

<sup>(4)</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of the daily average net asset value during the accounting period.

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## Management Fees

Fees payable by the Fund include management fees and operating charges. Operating charges are made up of administration fees and Fund expenses. Management and administration fees are calculated and credited daily and paid monthly.

Management fees include, among others, the portfolio manager's and/or sub-manager's fees, the fees relating to the marketing and distribution of the Fund and the Manager's administration fees.

Administration fees include, among others, registrar and fiduciary fees, expenses relating to accounting and valuation of the Fund, auditors' and legal advisors' fees and reporting fees to unitholders. Fund expenses are made up of regulatory filing fees and expenses of the Independent Review Committee.

For the period, annualized management fees charged to the Fund before government taxes amounted to 0.97% and are detailed as follows:

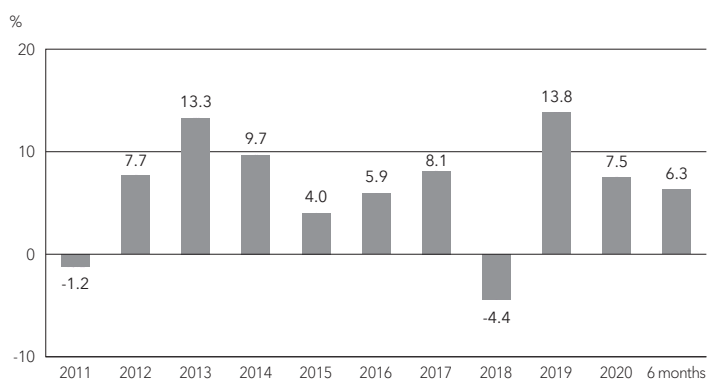
- Management fees: 0.87%
- Administration fees: 0.09%
- Fund expenses: 0.01%

## Past Performance

The performance information assumes that all distributions made by the Fund in the periods shown were reinvested in additional securities of the Fund. The information does not take into account purchase, redemption, investment or other optional charges that would have reduced returns or performance. The Fund's past performance is not necessarily indicative of how it will perform in the future.

## Annual Returns

The bar chart shows the Fund's annual performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year, with the exception of the last bar, which indicates the Fund's total return for the interim six-month period ended June 30, 2021. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by December 31 of each financial year or on the last day of the six-month period.



## Annual Compound Returns (%)

	1 year	3 years	5 years	10 years
FÉRIQUE Balanced	17.6	7.2	7.1	6.8
Benchmark Index	16.4	8.5	8.4	7.9
Median*	13.7	6.4	6.0	5.9

\* Median return of all investment funds of the same category according to Fundata.

## Benchmark Index

The Benchmark Index reflects the performance of a benchmark portfolio invested 1% (2% before January 1, 2017) in the FTSE Canada 91 Day T-Bill Index, 31.5% (38% before January 1, 2017) in the FTSE Canada Universe Bond Index, 2.25% (0% before January 1, 2017) in the FTSE Canada Universe Short Term Bond Index, 4.5% (0% before January 1, 2017) in the Bloomberg Barclays Global Aggregate Bond Index (CA\$ hedged), 0.75% (0% before January 1, 2017) in the Dow Jones Canada Select Dividend TR Index, 15% (0% before January 1, 2017) in the S&P/TSX Composite Dividend Index, 10% (25% between October 31, 2016 and December 31, 2016, 30% before October 31, 2016) in the S&P/TSX Composite Index, 15% in the S&P 500 Index (CA\$), 10% in the MSCI Europe Index (CA\$), 5% in the MSCI AC Asia Pacific Index (CA\$) and 5% (0% before October 31, 2016) in the MSCI Emerging Markets Index (CA\$).

## Comparison with the Index

The Fund posted a net return of 6.3% for the six-month period ended June 30, 2021. Its benchmark posted a 6.2% return for the same period. Contrary to benchmark returns, which include no investment fees, Fund returns are expressed net of management and administration fees payable by the Fund.

## Portfolio Overview

The Top Holdings in the Portfolio	% of net asset value
FÉRIQUE Canadian Bond Fund	21.7
FÉRIQUE Canadian Dividend Equity Fund	16.0
FÉRIQUE Canadian Equity Fund	10.7
FÉRIQUE American Equity Fund	10.2
FÉRIQUE Global Sustainable Development Bond Fund	8.4
FÉRIQUE Globally Diversified Income Fund	7.1
FÉRIQUE European Equity Fund	4.9
FÉRIQUE Global Sustainable Development Equity Fund	4.8
FÉRIQUE Global Innovation Equity Fund	4.7
FÉRIQUE Asian Equity Fund	4.5
Cash, Money Market and Other Net Assets	2.4
NEI Northwest Emerging Markets Fund, Series I	1.6
Templeton Emerging Markets Fund, Series O	1.5
TD Emerging Markets Fund, Series O	1.5
	<b>100.0</b>

As at June 30, 2021

<b>Asset Mix</b>	<b>% of net asset value</b>
Canadian Equity	25.4
International Equity	17.9
US Equity	16.7
Canadian Corporate Bonds	10.3
Canadian Provincial Bonds	9.8
Foreign Bonds	7.9
Canadian Federal Bonds	6.0
Cash, Money Market and Other Net Assets	4.0
Canadian Municipal Bonds	0.9
Canadian Asset and Mortgage Backed Securities	0.8
Canadian Preferred Shares	0.3
<b>Net Asset Value</b>	<b>\$1,189,963,289</b>

The allocation of the portfolio may vary due to the transactions carried out by the Fund. A quarterly update is available.

The simplified prospectus and other information on the underlying investment funds are available on the Internet at [sedar.com](http://sedar.com).





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Additional information about the Funds is available in the Funds' Prospectus, Annual Information Form, Fund Facts and Financial Statements.

You may obtain a copy of these documents, free of charge and on demand:

- by contacting the Manager, Gestion FÉRIQUE, at 514-840-9206 (toll-free at 1-888-259-7969);
- by contacting the Principal Distributor, Services d'investissement FÉRIQUE at 514-788-6485 (toll-free at 1-800-291-0337) or [client@ferique.com](mailto:client@ferique.com);
- by visiting [ferique.com](http://ferique.com) or [sedar.com](http://sedar.com).