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**ANNUAL  
MANAGEMENT  
REPORT**

*of Fund Performance  
for the year ended  
December 31, 2022*

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**EQUITY FUNDS**  
FÉRIQUE **European Equity** Fund

This Annual Management Report of Fund Performance contains financial highlights but does not contain the complete annual financial statements of the Funds that you hold. You can get a copy of the annual financial statements at your request, and at no cost, by calling Services d'investissement FÉRIQUE's client services at 514-788-6485 (toll-free 1-800-291-0337), by writing 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](http://ferique.com) or SEDAR at [sedar.com](http://sedar.com). You 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.

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## Management Discussion of Fund Performance

### Investment Objective and Strategies

The FÉRIQUE European Equity Fund seeks to maximize long-term return by capital appreciation. The Fund mainly invests in all classes and categories of common shares on the European market.

The Fund is managed by two portfolio sub-managers who use different styles, namely Lazard Asset Management (Canada) Inc. (Lazard) which manages approximately between 50% and 70% of the portfolio and Walter Scott & Partners Limited, which manages approximately between 30% and 50% of the portfolio. These weightings may vary according to market fluctuations and investors' transactions in the Fund or according to the projected capital markets conditions and expected inherent risks given the portfolio sub-managers' strategies.

The portfolio sub-manager, Lazard Asset Management (Canada) Inc., uses a strategy with a core bias based on stock selection. It selects companies that have a sustainable high return on capital or that are improving, combined with an interesting valuation in relation to securities of other companies.

The portfolio sub-manager, Walter Scott & Partners Limited, has a low turnover bottom-up stock selection process, without reference to benchmarks, which aims to identify companies capable of sustaining and compounding high rates of internal wealth creation over the long term.

Money is mainly invested and reinvested in all classes and categories of common shares of European corporations listed on a stock exchange and may be invested in convertible bonds, preferred shares, rights, income trusts, exchange-traded funds, warrants, as well as foreign depository receipts.

### Risk

The risks of investing in the Fund remain the same as those described in the Prospectus. This Fund is intended for investors with a medium tolerance for risk who want to invest in the long term. It can also be used as an international equity component of a diversified investment portfolio.

### Results of Operations

The FÉRIQUE European Equity Fund posted a net return of -15.6% for the fiscal year ended December 31, 2022. Its benchmark, the MSCI Europe Index, posted a -8.3% 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 its industry median<sup>1</sup>, which posted -17.2%, net of fees for the fiscal year.

### Lazard

In 2022, the equity market corrected significantly due to an unusual environment characterized by soaring inflation, the fastest interest rate hiking cycle in decades and high volatility caused by Russia's invasion of Ukraine.

Supply shocks drove energy and key food commodity prices sharply higher, exacerbating global inflation. Rising prices have eroded consumers' standard of living and businesses' profit margins.

The largely negative market sentiment in early 2022 that was caused by investors looking too far ahead was later replaced by short-term optimism. Market sentiment also improved as inflation showed signs of peaking in the United States and Europe, easing the upward pressure on interest rates. Meanwhile, China finally took steps to reopen its economy.

Equity markets rebounded significantly and in an abnormal way late in the year. In a falling market, high-quality companies that generate a high return on capital usually protect better their capital than companies with a lower return. In 2022, this was not always the case and sectors like Consumer Staples and Health Care did not significantly outperform.

Early in the year, the portfolio was not positioned to withstand the exogenous shock of Russia's invasion of Ukraine. The portfolio had positions in several consumer-facing companies that were among the most acutely impacted by concerns over consumer spending, rising costs and supply chain constraints.

Stock selection was the main driver of performance during the period. In particular, selection in Consumer Discretionary and Real Estate impeded relative returns, while selection in Health Care and the allocations to Energy contributed.

German real estate firm Vonovia detracted from returns. Rising interest rates weighed on sentiment in the property market. Despite these concerns, the company is a leading property operator and it announced impressive rental income growth.

Health, nutrition and materials multinational DSM depreciated during the year. While the company's third-quarter results were in line with forecasts, its full-year outlook was downgraded due to expected lower margins. With resilient volume growth and peaking inflation in the chemicals industry, the portfolio sub-manager does not believe that DSM is facing structural headwinds to margin growth.

Asset management platform Allfunds Group had a challenging year in 2022. Its disappointing performance was driven by the derating of high valuation multiple companies and earnings downgrades due to lower market levels.

Earnings of footwear company Dr. Martens missed analyst expectations, as several factors weighed on performance. The portfolio sub-manager liquidated the position because the investment thesis was compromised.

Several portfolio positions in the Energy sector contributed to returns. Despite a slight pullback late in the year, energy producers benefitted from tight supply and rising prices. BP was among the portfolio's most consistent outperformers. Rio Tinto benefitted from higher metals prices and free cash flow generation in its iron ore business.

<sup>1</sup> Source: Median return of similar funds according to Fundata, as at December 31, 2022.

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German engine manufacturer MTU Aero Engines also boosted returns. The company released high-quality earnings, while management raised guidance ahead of consensus for 2023 – 2025 and signalled a stock buyback.

The largest adjustment to the portfolio during the period was a reduction to the Consumer Staples allocation, which became the largest underweight. The Health Care sector also moved from an underweight to an overweight because of the addition of AstraZeneca and Merck. Conversely, Materials moved from an overweight to an underweight.

Meanwhile, the portfolio sub-manager added a position in Scout 24, an online classified ad technology business helping homeowners selling their property. Led by a highly competent management team, the company is expected to gain pricing power.

The portfolio sub-manager believes that, since the initial shock of Russia's invasion of Ukraine in the first quarter, inflation and the shift in monetary policy have prompted investors to focus more on fundamentals such as valuation, pricing power and financial productivity. That new stance benefitted the portfolio.

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

Equity markets had a turbulent year in 2022. Early on, Russia's unexpected invasion of Ukraine undermined investors' already poor confidence in the global economy, disrupted supply chains and stoked the nascent pressures on global commodity prices. In Europe, the invasion sparked concerns over the region's access to energy, given its reliance on Russian gas supplies.

Investors were mostly worried about inflation and central banks' interventions in response to it, as the U.S. Federal Reserve embarked on an aggressive rate hiking cycle. In Europe, the European Central Bank (ECB) also began to raise interest rates in earnest as inflation took hold in the euro zone. The ECB actions impacted the share prices of many holdings in the portfolio and were a drag on relative performance.

Markets remained single-mindedly focused on inflation and interest rates throughout the year. As inflation showed signs of moderating, investors were hoping the ECB would adopt a more dovish stance, and markets rallied in the fourth quarter. However, the ECB announced it would not dial down its efforts to fight inflation and would continue to act forcefully, signalling that it will have to hike interest rates far above 2% to succeed.

However, the rapid derating did not, in most cases, reflect a material deterioration in long-term relative fundamentals.

With the economy on the verge of a downturn and interest rates staying high, markets will increasingly favour companies with strong balance sheets and long-term profitability, much like the portfolio sub-manager. Accordingly, Walter Scott believes that if economic headwinds continue to strengthen, the long-term fundamentals of the portfolio will improve relative to the benchmark index.

From a sector viewpoint, the portfolio's Consumer Staples and Industrials stocks underperformed and detracted the most from relative returns. At the individual stock level, Fevertree Drinks and VAT Group were among the weakest performers. The significant exposure to the underperforming Information Technology sector, along with positions in individual underperforming stocks, further impeded relative performance. The lack of holdings in Energy sector, the strongest performing sector of the benchmark, was also

detrimental. Positions in Health Care, Materials and Financials also detracted from relative returns.

From a regional perspective, the portfolio's U.K. holdings lagged and hampered relative performance the most. Fevertree Drinks, Big Yellow Group and Hargreaves Lansdown were particularly weak. Swiss stocks, and Temenos in particular, also significantly hurt relative returns.

During the year, the market operated a major rotation from growth to value stocks that was driven by the new belief that inflation and interest rates would stay higher for longer than previously expected. This shift had a negative impact on the portfolio's relative performance.

There has been no material change to the portfolio's positioning and overall asset mix during the period. Yet, positions in Unilever, Elekta, Smith & Nephew, AAK, Hargreaves Lansdown and Intertek Group were liquidated, while ASM International, Universal Music Group, Sartorius Stedim Biotech, Atlas Copco, Tecan Group, Greggs and Halma were added to the portfolio. The portfolio sub-manager adds stocks based on their individual merits and outlook in order to build a portfolio that balances growth, profitability, balance sheet resilience, sustainability and valuation, while carefully considering the geographic, industry and thematic exposures and risk.

## **Recent Developments**

### **Lazard**

After the market rebound of late 2022, the portfolio sub-manager expects a return of the pendulum for 2023.

While inflation rates may have—at least temporarily—peaked in Europe and in the United States, underlying inflation remains high and sticky due to widespread wage increases and continued materials shortages.

Lazard believes it is still too early to predict the depth of the looming recession due to the unprecedented pace and magnitude of the central banks' intervention to curb inflation. Companies and consumers are likely to find 2023 to be challenging as the effects of 2022's rate rises begin to be felt. As a result, the portfolio sub-manager will maintain a cautious stance.

In Europe, Lazard does not believe the ECB will have to hike interest rates as much as other major central banks. European stock markets have more fully priced in the economic headwinds caused by the rate increases than most other markets. For this reason, the region's stock market valuations have already contracted and remain at a sizeable discount relative to U.S. equities.

The portfolio sub-manager finds interesting opportunities in specific industries that are less affected by the current economic environment, most notably in the aerospace industry, in Industrials, where order books are full. The portfolio is overweight to Financials, a sector benefitting from the return to a rising yield environment, which had not occurred in many years.

Additionally, opportunities are emerging in certain cyclical Industrials companies and consumer-facing segments of the market that have already experienced a significant downturn. European consumer-facing stocks should also gain from the reopening of China's economy following the end of its zero-COVID policy.

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**Walter Scott & Partners**

Moving into 2023, Europe is facing a challenging start to the year, as the war in Ukraine is still ongoing and inflation remains uncomfortably high. Some experts still worry that Europe may face an Energy crunch during the winter.

However, economic data in Europe has proved remarkably resilient so far. Actions were also taken to rebalance the continent's gas supply and reduce the risk of energy rationing. Governments across the political spectrum have delivered large-scale fiscal support.

While keeping an eye for shifts in the macroeconomic landscape, the portfolio sub-manager will continue to focus its attention on company fundamentals. Last year was, on all accounts, very challenging, but many companies held in the portfolio proved to be extremely resilient. The significant derating that took place across much of the portfolio did not correlate with a deterioration in the underlying fundamentals.

The portfolio sub-manager invests in companies with strong market positions, wide moats, long growth runways, differentiated products or services and robust balance sheets. As a result, portfolio holdings successfully navigated through this period of upheaval. While this has not always been reflected in share prices, their strengths will be increasingly recognized as 2023 unfolds.

There was no change in the composition of the FÉRIQUE Funds Independent Review Committee (IRC) during 2022. The mandate of Mr. Jude Martineau, Chairman of the IRC will end on March 31, 2023. Ms. Louise Sanscartier was appointed as Interim

Chairman of the IRC for the period April 1, 2023 to June 9, 2023 and Mr. Yves Frenette was appointed as an IRC member for a three-year term beginning April 1, 2023.

**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.

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 fiscal year ended December 31, 2022, portfolio sub-managers 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, 2021).

**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.

	Years ended				
	Dec. 31 2022 (12 months)	Dec. 31 2021 (12 months)	Dec. 31 2020 (12 months)	Dec. 31 2019 (12 months)	Dec. 31 2018 (12 months)
<b>Net Assets per Unit<sup>(1)(5)</sup></b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Net assets, beginning of accounting period <sup>(4)</sup>	14.10	13.42	12.81	11.03	13.41
<b>Increase (decrease) from operations</b>					
Total revenues	0.29	0.35	0.22	0.50	0.31
Total expenses	(0.16)	(0.20)	(0.19)	(0.18)	(0.19)
Realized gains (losses)	(0.56)	1.55	0.46	(0.06)	0.40
Unrealized gains (losses)	(1.62)	(0.07)	0.56	1.84	(2.40)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>(2.05)</b>	<b>1.63</b>	<b>1.05</b>	<b>2.10</b>	<b>(1.88)</b>
<b>Distributions</b>					
From dividends	0.11	0.16	0.08	0.33	0.13
From capital gains	—	0.79	0.28	—	0.41
<b>Total annual distributions<sup>(3)</sup></b>	<b>0.11</b>	<b>0.95</b>	<b>0.36</b>	<b>0.33</b>	<b>0.54</b>
<b>Net assets, end of accounting period<sup>(4)</sup></b>	<b>11.75</b>	<b>14.10</b>	<b>13.42</b>	<b>12.81</b>	<b>11.03</b>

<sup>(1)</sup> This information is derived from the Fund's Annual Audited 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.

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## Financial Highlights (continued)

	Years ended				
	Dec. 31 2022 (12 months)	Dec. 31 2021 (12 months)	Dec. 31 2020 (12 months)	Dec. 31 2019 (12 months)	Dec. 31 2018 (12 months)
<b>Ratios and Supplemental Data</b>					
Net asset value (in thousands of \$) <sup>(1)</sup>	<b>213,339</b>	225,953	287,309	256,733	205,718
Number of units outstanding <sup>(1)</sup>	<b>18,141,188</b>	16,061,240	21,393,001	20,004,193	18,663,032
Management expense ratio (%) <sup>(2)</sup>	<b>1.25</b>	1.30	1.30	1.30	1.25
Management expense ratio before waivers or absorptions by the Manager (%)	<b>1.25</b>	1.30	1.30	1.30	1.25
Portfolio turnover rate (%) <sup>(3)</sup>	<b>34.65</b>	51.56	134.48	65.75	65.79
Trading expense ratio (%) <sup>(4)</sup>	<b>0.10</b>	0.12	0.24	0.17	0.22
Net asset value per unit (\$)	<b>11.76</b>	14.07	13.43	12.83	11.02

<sup>(1)</sup> This information is provided 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.<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.

## 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 custodian fees 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 year, annualized management fees charged to the Fund before government taxes amounted to 1.09% and are detailed as follows:

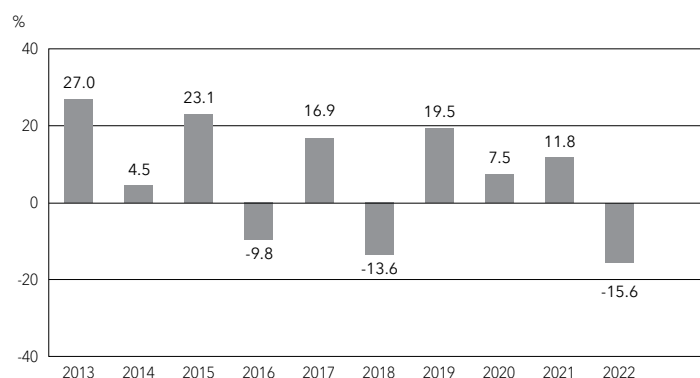
- Management fees: 0.95%
- Administration fees: 0.13%
- Fund expenses: 0.01%

## 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. 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 year.



## Annual Compound Returns (%)

	1 year	3 years	5 years	10 years
FÉRIQUE European Equity	(15.6)	0.5	0.9	6.1
MSCI Europe Index (CA\$)	(8.3)	3.4	4.1	8.5
Median*	(17.2)	0.5	0.8	5.0

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



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**MSCI Europe Index**

The MSCI Europe Index measures the total return of equity securities issued on the European markets.

**Comparison with the Index**

The Fund posted a net return of -15.6% for the fiscal year ended December 31, 2022, compared to -8.3% for its benchmark index. Contrary to benchmark returns, which include no investment fees, Fund returns are expressed net of management and operating expenses payable by the Fund.

**Portfolio Overview**

<b>The Top 25 Holdings in the Portfolio</b>	<b>% of net asset value</b>
Novo Nordisk, Class B	3.0
Roche Holding AG NPV	2.8
Compass Group PLC	2.7
Louis Vuitton Moët Hennessy	2.4
BP PLC	2.4
Novartis AG	2.3
AstraZeneca PLC	2.2
Infineon Technologies AG	1.9
Air Liquide SA	1.8
Universal Music Group NV	1.8
Unilever PLC	1.8
Merck KgaA	1.7
HSBC Holdings PLC	1.6
RELX PLC	1.6
ASML Holding NV	1.6
SAP SE	1.5
Cash, Money Market and Other Net Assets	1.4
AXA	1.4
TotalEnergies SE	1.4
Kering	1.4
Hermes International	1.3
UniCredit SpA	1.3
Rio Tinto PLC	1.3
Thales SA	1.3
Prudential Corp. PLC	1.3
	<b>45.2</b>

<b>Weighting by Country</b>	<b>% of net asset value</b>
United Kingdom	25.4
France	22.6
Switzerland	12.8
Germany	12.1
Denmark	6.0
Netherlands	5.2
Italy	5.0
Spain	2.0
Portugal	1.9
Ireland	1.7
Finland	1.5
Cash, Money Market and Other Net Assets	1.4
Sweden	1.3
Austria	0.8
Poland	0.3

<b>Net Asset Value</b>	<b>\$213,339,159</b>
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The allocation of the portfolio may vary due to the transactions carried out by the Fund. A quarterly update is available.

**Other Material Information**

Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for particular purpose with respect to any such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI's express written consent.



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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).