FÉRIQUE
MUTUAL FUNDS

INTERIM MANAGEMENT REPORT

of Fund Performance for the period ended June 30, 2023

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.

Management Discussion of Fund Performance

Results of Operations

The FÉRIQUE Balanced Portfolio posted a net return of 5.8% for the period ended June 30, 2023, compared to a return of 5.9% 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 its industry median[1], which posted 4.4%, net of fees for the period.

The FÉRIQUE Balanced Portfolio benefited from its exposure to the FÉRIQUE European Equity, Global Sustainable Development Equity and Global Innovation Equity Funds. However, it suffered from its overweight in Canadian equities and its underweight in US equities compared to its universe.

In April 2023, a change was made in order to optimize the Fund. To that end, the TD Emerging Markets Fund was sold and the RBC Emerging Markets Dividend Fund was added.

Money Market
(1.8% of the Fund as at June 30, 2023)

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. During the period, the portfolio manager continued to take advantage of the upward trend in interest rates by gradually reinvesting portfolio holdings into higher-yield securities as they mature. Due to rising short-term interest rates, the Fund's yield to maturity increased from 4.19% early in the period to 4.51% by the end of it.

FÉRIQUE Canadian Bond Fund
(21.7% of the Fund as at June 30, 2023)

The FÉRIQUE Canadian Bond Fund posted a net return of 2.6% for the period ended June 30, 2023. Its benchmark, the FTSE Canada Universe Bond Index, posted a 2.5% 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[1], which posted 2.2%, net of fees for the period.

Addenda

The portfolio manager follows a growth-focused strategy despite a tightening monetary policy. As a result, it reduced the portfolio's duration — a measure of sensitivity to interest rate changes — in January when rates were falling, before gradually increasing it again when rates, driven by the strong economy, started rising again. The portfolio manager analyzed the reasons behind the U.S. regional bank crisis and concluded that it will likely have a limited impact on economic activity. Addenda thus capitalized on rates falling as a result by reducing the portfolio's duration. Later, the portfolio manager gradually increased the portfolio's duration alongside rates, while still maintaining a shorter duration relative to the benchmark index. By the end of the period, the portfolio's duration was below that of its benchmark index.

The weight of corporate bonds within the portfolio remained virtually unchanged over the period.

The allocation was adjusted in Financials to take advantage of volatility and widening credit spreads, i.e., the additional yield offered to investors to hold these securities compared with government bonds, on banking securities, which reflected market concerns that Addenda believed to be overblown in light of the quality of Canadian institutions. The portfolio manager thus purchased banking securities with a very attractive risk-return ratio during this short risk-off period. Addenda also increased allocations to Energy and Communication Services by investing in new issues with favourable credit spreads. Lastly, the portfolio manager capitalized on narrowing spreads in the second quarter to trim the overweight to Energy and Financials.

Addenda increased the portfolio's exposure to BBB-rated securities to take advantage of widening credit spreads in March, maintaining the allocation until the end of the period. While still conservative, the portfolio's risk profile was increased slightly during the period.

Baker Gilmore

Market volatility significantly increased during the period due to mixed economic conditions and concerns over the banking sector's stability that deeply altered investors' outlook. In January, rates on government bonds fell and risk asset prices rose as the belief spread among investors that central banks would start cutting interest rates by the end of 2023 in response to the slowing economy.

In February and early March, government bond rates rose substantially on signs of rising global economic growth and inflation. However, markets declined when the failure of U.S. regional banks and concerns over the stability of Credit Suisse drove investors to expect central banks to cut rates, which pushed bond yields down.

Despite ongoing uncertainty over the regional banking sector in the United States, investors' risk appetite increased overall in April. Late in the period, the banking crisis appeared to be contained and markets had turned their attention on the U.S. debt ceiling crisis.

Inflationary pressures remained elevated, which was a contributing factor to government bond yields increasing on most developed markets, mainly due to rising short-term rates that deepened the yield curve inversion.

Security selection in the Utilities and Financials sectors detracted the most from Fund performance. Poor selection was partially offset by the portfolio's additional running yield relative to the benchmark index and active duration management that contributed a bit to relative returns.

Portfolio duration was actively managed and modified based on the strength of Canadian and global macroeconomic data, the actions and statements of global central banks. This duration was maintained between 0 and 0.75 years below the benchmark. The portfolio's credit risk was also reduced to an underweight mid-period, from a neutral position to 0.50 year shorter than the benchmark index.

* The Fund's benchmark index was modified to simplify its presentation while still reflecting the Fund's asset allocation. The Benchmark Index reflects the performance of a benchmark portfolio invested 30% in the FTSE Canada Universe Bond Index, 10% in the Bloomberg Global Aggregate Bond Index (CA$ hedged), 25% in the S&P/TSX Composite Index, 15% in the S&P 500 Index (CA$), 12.5% in the MSCI EAEO Index (CA$) and 7.5% in the MSCI Emerging Markets Index (CA$).

[1] Source: Median return of similar funds according to Fundata, as at June 30, 2023.

Risk was lowered by cutting the portfolio's exposure to provincial issuers (such as Ontario), as well as the Financials (Toronto-Dominion Bank and Scotiabank) and Utilities (Canadian Utilities, Teranet) sectors.

FÉRIQUE Global Sustainable Development Bond Fund (8.6% of the Fund as at June 30, 2023)

The FÉRIQUE Global Sustainable Development Bond Fund posted a net return of 1.5% for the period ended June 30, 2023. Its benchmark, composed of the FTSE Canada Short Term Bond Index (25%), the FTSE Canada Mid Term Bond Index (25%) and the ICE Global Non-Sovereign Index (hedged in Canadian dollars) (50%), posted a 1.9% 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 underperformed its industry median[1], which posted 1.8% net of fees for the period.

AlphaFixe Capital

The first half of 2023 was characterized by rising interest rates in the short end of the yield curve (0 – 5 years), while longer-term rates (10 and 30 years) remained virtually unchanged.

With regard to spread, i.e., the additional yield, offered to investors to hold these securities compared with government bonds, provincial bond and corporate credit spreads narrowed, which added value due to the portfolio's overweight to both sectors. Throughout the period, the portfolio maintained a shorter duration — a measure of sensitivity to interest rate changes — relative to the benchmark, contributing to the Fund's relative returns. However, the portfolio's shorter duration did not add enough value to offset its negative positioning along the yield curve, especially the underweight to 10-year maturities and overweight to 2- and 5-year maturities.

In accordance with the Fund's objective, the portfolio manager invested 95% of the portfolio in green, social or sustainable bonds by the end of the period. Such bonds help finance projects or companies upholding sustainability principles.

In the first half of 2023, AlphaFixe initiated a dialogue with bond-issuing companies or government agencies on 38 occasions. Subjects discussed included best practices for issuing green, social or sustainable bonds, the importance of reporting on environmental, social and governance (ESG) matters, as well as other issuer-specific topics.

While issuers operating in the fossil fuel industry are excluded from the portfolio, AlphaFixe still met with several companies within the sector to raise awareness of the climate emergency and the need for shifting to a green economy. Fossil fuel exclusions cause the portfolio to inherently maintain an underweight to the Energy sector. The portfolio will still be exposed to Energy through bonds of power generators investing in sustainable energy to reach their zero-carbon target. The portfolio thus remains well diversified.

BMO Global Asset Management

The first half of 2023 was marked by volatility, with both concerns about an impending recession and stronger-than-expected economic data buffeting markets. In early March, volatility was compounded by the U.S. regional banking crisis that drove major concerns regarding an impending slowdown amidst increased credit tightening that will be felt throughout the economy.

Silicon Valley Bank (SVB) failed when a bank run was triggered after it sold its Treasury bond portfolio at a significant loss, causing concerns about the bank's liquidity, which sparked significant deposit withdrawals. Technology companies and wealthy individuals holding large, uninsured deposits comprised most of the bank's clientele. Silvergate Bank and Signature Bank also collapsed and general market contagion led to fears over Credit Suisse's liquidity. The Swiss bank was subsequently taken over by UBS.

Concerns over the United States hitting the debt ceiling also increased volatility, though fears proved to be overblown. Bond markets have moved within a certain range this year, with yields bottoming around mid-March following the banking sector issues, before rallying and closing the period near their early-period levels.

Against this backdrop, the portfolio generated a return lower than its benchmark over the period. The portfolio sub-manager maintained a cautious exposure to corporate bonds throughout the period, which was warranted in light of the overall market volatility. This positioning was the main source of underperformance during the period, in a context of narrowing credit spreads.

The portfolio maintains a bias towards the Financials and Utilities sectors given the availability of green, social and sustainable bonds in this space. The portfolio is intrinsically underweight to the Energy and Industrials sectors, as well as to collateralized and mortgage-backed securities because of its focus on sustainability.

In keeping with the Fund's objective, 93% of the portfolio was invested in green, social and sustainability bonds at the end of the period. These bonds are issued to finance projects or companies adhering to sustainable development principles.

During the first half of 2023, the portfolio sub-manager engaged in dialogue with companies on nine occasions, addressing topics that included executive compensation, companies' resilience in the face of climate challenges, biodiversity and climate lobbying disclosure.

FÉRIQUE Globally Diversified Income Fund (6.8% of the Fund as at June 30, 2023)

The FÉRIQUE Globally Diversified Income Fund, managed by Addenda Capital Inc. (Addenda), posted a net return of 2.1% for the period ended June 30, 2023. 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 2.6% 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 underperformed its industry median[1], which posted 3.1% net of fees for the period.

During the period, the portfolio's allocations to Canadian and global bonds drove relative returns. Actively managing duration also helped returns, while modest allocations to underperforming preferred shares and high-yield bonds slightly impeded performance. Canadian equities also detracted from relative performance despite posting positive absolute returns due to stock selection within the Financials sector.

Overall, the portfolio's defensive asset allocation detracted from returns, the underweight to global bonds and Canadian equities dragging down performance.

**FÉRIQUE Canadian Dividend Equity Fund
(14.4% of the Fund as at June 30, 2023)**

The FÉRIQUE Canadian Dividend Equity Fund posted a net return of 3.0% for the period ended June 30, 2023. Its benchmark, the S&P/TSX Composite Dividend Index, posted 3.9% 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 performed according to its industry median[1], which posted 3.0%, net of management fees for the period.

During the period, the Fund was exposed to significant market volatility. Early in the period, concerns arose over financial instability and liquidity issues in the market as a result of central banks' significant rate hikes over the past year and problems emerging at specific banks. This environment negatively affected the Fund.

Both the U.S. Federal Reserve and the Bank of Canada continued to raise interest rates over the period to curb inflation that's remained stubbornly high, albeit declining somewhat. The labour market remained strong despite central bank interventions. The economy was also still resilient despite rate hikes and recent global events.

In the second quarter, artificial intelligence emerged as a catalyst for a number of Information Technology companies, including some held in the portfolio, which proved beneficial to global market performance. Keeping pace with the broader market, the Fund achieved a slight positive return during the period.

On a relative basis, the underweight to Industrials detracted from performance as the sector posted a moderate return. Most companies in the sector do not fit the Fund's valuation, quality and dividends criteria.

Conversely, the overweight to Consumer Discretionary contributed to performance, with Canadian Tire Corporation and Restaurant Brands posting very strong returns. The underweight to Energy also helped performance, as the sector declined during the period.

During the period, the portfolio sub-manager made no material changes to portfolio positioning. It reduced the Fund's exposure to Communication Services and liquidated the position in Rogers Communications due to the rising share price and concerns over regulatory uncertainty and the company's higher leverage as a result of the Shaw acquisition. The allocation to Consumer Staples was also reduced and the position in retailer The North West Company was sold off when the share started trading near its target price. Lastly, the allocation to Financials was slightly increased with the addition of positions in the banking industry following the sell-off caused by liquidity and deposit outflow issues, primarily in the United States. Finally, a position in TC Energy Corporation was initiated because of the company's exposure to the energy transition through its significant natural gas infrastructure assets. Natural gas has a lower carbon footprint then other hydrocarbons such as oil and is expected to play an increasingly important role going forward.

During the period, Lincluden engaged with Hydro One, to establish a Science Based Target Initiative (SBTi), submit a climate response to the CDP (formerly the Carbon Disclosure Project) and ensure that the company has an Indigenous Right Policy. Lincluden also engaged with Pembina Pipeline and Superior Plus to establish a formal net-zero emissions target.

**FÉRIQUE Canadian Equity Fund
(9.7% of the Fund as at June 30, 2023)**

The FÉRIQUE Canadian Equity Fund posted a net return of 4.1% for the period ended June 30, 2023. Its benchmark, the S&P/TSX Composite Index, posted 5.7% 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 underperformed its industry median[1], which posted 4.7%, net of management fees for the period.

CC&L

Heading into the year, the portfolio sub-manager had a fairly cautious stance toward equity markets and the economy as a whole. Its focus on stable stocks and sectors caused the portfolio to underperform in a stronger-than-anticipated market environment. Stock selection was the primary cause of underperformance while sector allocation detracted slightly.

In Financials, the underweights to Great-West Lifeco and Canadian Imperial Bank of Commerce and overweights to Definity Financial Corporation and Intact Financial Corporation dragged down returns. Stock selection in Information Technology also hampered performance, as the portfolio was mostly invested in the sector's more defensive areas. Most particularly, the underweight to Shopify was the largest detractor during the period. The overweights to Constellation Software and Descartes Systems Group also negatively impacted returns. On the positive side, stock picking within Real Estate, especially overweights to multi-family residential real estate investment trusts, added value.

In March, a confluence of factors caused a bank run across U.S. regional banks that ultimately resulted in the second- and third-largest bank failures in U.S. history. Canadian banks were not directly affected; however, the portfolio sub-manager believes that Canadian banks' fundamentals will come out weakened of this banking crisis. In particular, tighter credit conditions will slow down lending growth and further increase funding costs, which will negatively impact net interest margins. Against this backdrop, the portfolio sub-manager reduced its positions in Canadian banks.

Instead, CC&L jumped on the artificial intelligence (AI) bandwagon by investing in attractive Information Technology companies that will benefit from the use of AI and machine learning and added to its existing positions within the sector. The major opportunities arising for AI-induced productivity enhancements are consistent with the portfolio sub-manager's investments in companies looking to build resilient and redundant supply chains or to transition to green energy sources over the long term. As a corollary, CC&L has also reduced its underweight to Shopify.

With regard to environmental, social and governance (ESG) considerations, the portfolio sub-manager uncovered governance issues in Precision Drillings Corporation executive compensation practices. Based on their year-end results, the company has been consistently overpaying their executives relative to their industry peers, which was negatively impacting cash flow growth and prevented shareholders from benefitting from the company's profitability. In the first quarter, the portfolio sub-manager engaged multiple times with the company – first with their management team and then with the board of directors' compensation committee – but was not satisfied with the answers nor had confidence that changes would be made. The valuation multiple was thus lowered, and the position was exited. Following discussions with Canadian Natural Resources management, the company now has auditors performing reasonable assurance on its scope 1 and 2 emissions and limited assurance on its scope 3 emissions.

Franklin Templeton

Sector allocation significantly bolstered relative returns but was partially offset by negative security selection. The underweight to underperforming the Energy, Financials and Materials sectors were the main contributors to performance, as these sectors are some of the largest in the S&P/TSX Composite Index. The overweight to outperforming Information Technology and Utilities also bolstered relative returns.

Security selection of select holdings within Information Technology, Materials and Financials was the primary driver of underperformance, but was partially offset by the positive contribution of some holdings in Energy and Consumer Discretionary. More specifically, a lack of position in Shopify and Constellation Software (Information Technology), in Fairfax Financial Holdings and Thomson Reuters (Financials) and in Wheaton Precious Metals (Materials), as well as an overweight to Agnico Eagle Mines (Materials) dragged down returns. However, the lack of exposure to Cenovus Energy and Pembina Pipeline and underweight to Suncor Energy in Energy, and the lack of exposure to Magna International and Aritzia in Consumer Discretionary helped performance.

The Canadian market has experienced some narrowness of leadership during the period, with more than 75% of the S&P/TSX's returns being driven by Shopify and Constellation Software in the Information Technology sector. The U.S. market was experiencing a similar situation, as six constituents of the S&P 500 accounted for most of the index's performance.

The first half of 2023 was marked by significant trading activity, as dislocations in equity markets continued to present attractive investment opportunities. As a result, the portfolio sub-manager added three positions to the portfolio and liquidated four. It introduced Hydro One in Utilities, TMX Group in Financials and CCL Industries in Materials. Conversely, Kinaxis in Information Technology, Brookfield Renewable Partners in Utilities, Brookfield Asset Management in Financials and PrairieSky Royalty in Energy were sold off.

During the period, the portfolio sub-manager continued to bolster portfolio holdings in defensive and non-cyclical sectors and in other robust companies with predictable free cash flows. These additions were funded by trimming some positions in value or cyclical companies and selling on strength. The portfolio sub-manager follows a low-turnover strategy but will continue to make decisive changes when opportunities arise.

By the end of the period, the portfolio sub-manager increased allocations to Industrials, Utilities and cash the most, while primarily reducing allocations to Financials and Energy.

The portfolio sub-manager takes an integrated approach to ESG matters, focusing on research and engagement. Research helps acquire a better understanding of ESG issues that could impact the investment thesis. For example, Hydro One, a pure-play electric power transmission and local distribution company in Ontario, was added to the portfolio in part due to its strong competitive positioning in its service territory and relatively low carbon intensity with no exposure to coal-fired power. Engagement encourages specific changes at companies held in the portfolio, which can lead to positive real-world impact and enhance shareholder value. As an example, Franklin Templeton took part in a discussion facilitated by RBC with key shareholders on several initiatives put in place to tackle ESG issues and corporate strategy about material ESG risks and opportunities.

FÉRIQUE American Equity Fund
(10.9% of the Fund as at June 30, 2023)

The FÉRIQUE American Equity Fund posted a net return of 13.1% for the period ended June 30, 2023. Its benchmark, the S&P 500 Index, posted a 14.2% 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[1], which posted 10.1%, net of fees for the period.

Columbia Threadneedle

Stock selection drove the portfolio's relative returns, with selection in Industrials, Information Technology, Financials, Health Care, Consumer Discretionary and Consumer Staples and Information Technology having the most positive impact. However, weak stock selection in Communication Services, Materials, Energy and Real Estate detracted.

From a sector allocation perspective, the overweight to Communication Services also contributed positively. Conversely, the underweight to Consumer Discretionary was the largest detractor.

From an individual stock standpoint, the portfolio's holdings in NVIDIA (Information Technology) and General Electric (Industrials) were the top relative contributors during the period. After substantially cutting costs last year, NVIDIA's performance improved from depressed run rates caused by its gaming and data-centre divisions. More significantly, the company expects considerable growth from new artificial intelligence (AI) applications. The portfolio sub-manager believes that NVIDIA is one of the best-positioned companies to capitalize on AI trends.

General Electric (GE) was added to the portfolio last year on the conviction that that it had become attractive based on a sum-of-the-parts analysis. The company spun out its GE HealthCare division and is restructuring its Aerospace and Power divisions. GE Aerospace has performed well on the back of the reopening of the economy and increase in travel volume that resulted in a surge of aircraft orders. GE Power is also poised to have strong growth.

Meanwhile, positions in Chevron Corporation and Johnson & Johnson detracted the most. Chevron's stock declined along with the rest of the Energy sector on concerns that current supply and demand dynamics will put pressure on crude oil prices.

Johnson & Johnson reported financial results twice during the period. First, the stock fell in late January on declining sales, primarily due to unfavourable exchange rates and reduced COVID-19 vaccine sales compared to the prior year. Then, in late April, discouraging news were released about the company's leading cancer drug, causing the stock to drop.

During the period, Columbia engaged with Procter and Gamble (P&G) in a dialogue about plastic and its impacts on ocean pollution, MSCI's watchlists based on United Nations Global Compact violations and P&G's precautionary approach to plastic's environment impacts through the use of reusable and recyclable products. P&G's objective is not to eliminate plastic but rather to leave "no plastic in nature." P&G management believes plastic is still useful and can even drive carbon emissions reduction. The company's target is to utilize 100% recyclable or reusable packaging by 2030 and reduce its petroplastic use by 50%.

River Road

From a sector allocation perspective, the Information Technology sector was the top contributor to performance, followed by Communication Services, while the Utilities sector detracted the most, followed by Consumer Staples.

During the period, the portfolio sub-manager added three positions to the portfolio and liquidated three others. The most significant changes to relative positioning occurred in the Consumer Discretionary, Consumer Staples and Financials sectors. The underweight to the Consumer Discretionary sector was increased in part due to the liquidation of Advance Auto Parts and the reclassification of Target Corporation from Consumer Discretionary to Consumer Staples. Selling off the position in Target Corporation then increased the underweight to Consumer Discretionary even further. Meanwhile, the overweight to Consumer Staples was increased during the period. The underweight to the Financials sector also went up after reducing the position to M&T Bank Corporation on low conviction.

Environmental, social and governance (ESG) factors, including the deployment of renewable energy, played a material role in positioning the portfolio within the Utilities sector over the period. Within the sector, Black Hills Corporation accelerated the deployment of its renewables program, which will require them to issue stocks and will likely put pressure on dividend growth. As a result, the portfolio sub-manager's conviction in the company fell and the position was reduced.

Despite continued interest rate increases and signs of slowing economic growth, the release of ChatGPT disrupted the market and bolstered a select few companies involved in artificial intelligence. The risk-on environment that emerged was very unfavourable for the quality and dividend-oriented portfolio.

FÉRIQUE European Equity Fund
(5.5% of the Fund as at June 30, 2023)

The FÉRIQUE European Equity Fund posted a net return of 13.3% for the period ended June 30, 2023. Its benchmark, the MSCI Europe Index, posted a 11.5% 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[1], which posted 9.4%, net of fees for the period.

Lazard

With volatility and uncertainty pervading markets since 2020, the macroeconomic environment stabilized somewhat during the period, while interest rates returned to more normal levels. Against this backdrop, investors were focused on company fundamentals and valuation, which suited the Fund's investment philosophy since it tends to perform well in such an environment.

Stock selection was the main driver of performance during the period. In particular, selection in Financials and Consumer Staples bolstered returns, while selection in Communication Services and Real Estate detracted.

At the individual stock level, UniCredit was the portfolio's top performer. The Italian banking group announced increased share buybacks and above-forecast profits. Their margins are improved higher interest rates. The portfolio sub-manager believes the market is still underestimating the bank's capital generation capacity.

Ryanair Holdings continued to climb, as travel demand remained robust. Near-term travel trends are favourable and the company's recent Boeing aircraft order at a discounted price should drive growth going forwards.

Semiconductor manufacturer Infineon Technologies also contributed to relative returns. The company benefitted from an improved margin profile and from growing interest in artificial intelligence applications globally. However, in light of some uncertainty, the portfolio sub-manager trimmed the position as the share price appreciated significantly.

Conversely, the portfolio's overweight position in Universal Music Group (UMG) detracted from performance. In spite of better-than-expected quarterly results, the company announced strong physical revenues driven by CD and DVD sales, which investors may have perceived as being lower quality. The portfolio sub-manager continues to like this market-leading music label with a strong portfolio of artists earning them royalties and a defensive business model.

German residential real estate firm Vonovia detracted from returns, have struggled during the period. The company's share price was very volatile and fluctuated with market sentiment. In March, instability in credit markets amidst the banking turmoil raised concerns over Vonovia's ability to access financing. The portfolio sub-manager still believes in the company's fundamentals.

The largest adjustment to the portfolio during the period was the allocation to Information Technology moving from an underweight to an overweight following when Amadeus IT Group and ASM International were added to the portfolio. Amadeus IT Group is a Spanish technology company providing ticketing and departure control software to travel operators. The portfolio sub-manager thinks that passenger traffic will continue to recover post-pandemic. A position in ASM International was also introduced based on the semiconductor company's potential to gain market share thanks to its engagements with leading-edge logic and foundry manufacturers.

Elsewhere, a position was added in Kerry Group, in the Consumer Staples sector. The company was attractively valued and should see higher volume growth due to healthy eating trends.

The allocation to the Financials was trimmed, as positions in Barclays, Santander and Allfunds Group were sold so far this year. While the portfolio sub-manager maintains a constructive outlook on select high-quality banks, it maintains an underweight to insurance companies and the rest of the sector.

The allocation to Consumer Discretionary was also reduced as the position in luxury-goods multinational Kering was trimmed.

Walter Scott & Partners

From a sector viewpoint, the portfolio's overweight to outperforming Information Technology and shrewd stock selection within the sector contributed the most to relative return. Positions in Consumer Discretionary, including Hermès, Brembo and Ferrari, also substantially bolstered performance. Holdings in Consumer Staples and Materials outperformed and contributed to relative returns. The lack of holdings in Energy sector, the weakest performing sector of the benchmark, also helped. During the period, positions in Health Care were the only significant detractors from relative performance.

From a regional perspective, the portfolio's U.K. holdings contributed the most to relative return. Fevertree Drinks and Compass Group were particularly strong. Swiss, French, Dutch and Spanish stocks also significantly boosted relative returns.

There has been no material change to the portfolio's positioning and overall asset mix during the period. Yet, positions in Temenos and Bunzl were sold off, while positions in Wolters Kluwer, AutoStore Holdings and Diploma were added.

The portfolio sub-manager follows bottom-up strategy focused on the long term. It 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.

Environmental, social and governance (ESG) considerations are an intrinsic part of the stock selection process and all companies held in the portfolio must meet rigorous ESG standards. Some of them are directly involved in improving ESG outcomes. AutoStore Holdings produces warehouse storage and retrieval systems to rationalize space and power utilization using green energy. Their products help replace more energy-intensive retrieval and pick up systems in warehouses to help decarbonize and reduce energy intensity of logistics and supply chains.

FÉRIQUE Asian Equity Fund
(4.9% of the Fund as at June 30, 2023)

The FÉRIQUE Asian Equity Fund posted a net return of 4.8% for the period ended June 30, 2023, compared to 3.9% 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 outperformed its industry median[1], which posted 3.3%, net of management fees for the period.

Over the period, country allocation detracted from relative performance. An underweight to Taiwan and Korea and overweight to China dragged down returns and offset the positive impact of an overweight to Japan and underweight to Hong Kong.

Stock selection in Japan, Taiwan and Korea helped relative performance and offset negative selection in China, Australia and India.

In Japan, sector allocation and stock selection both contributed to performance. The portfolio sub-manager maintained an overweight to electronics companies that added value, as investors started to factor in the eventual bottoming out of the semiconductor market. The underweight to Financials also boosted performance due to the sector significantly underperforming because of the turmoil roiling U.S. regional banks in March. Electronics company Advantest was the best-performing stock during the period. The company's share price soared on expectations that sales growth of its competitive semiconductor test equipment would be driven by a surge in demand for semiconductors used in generative artificial intelligence (AI).

The overweight to metals and mining companies within Materials dragged down returns due to China's weaker-than-expected economic recovery.

In Taiwan, Alchip Technologies and Taiwan Semiconductor Manufacturing Company outperformed amid growing client demand for new AI applications.

Meanwhile, in India, Infosys underperformed due to weak domestic results. HDFC Bank also declined due to uncertainty around a merger.

The portfolio sub-manager reduced the overweight to Japan to fund investments on North Asian markets. This reduced allocation does not reflect a negative view on Japan, as the country's corporate environment remains among the most stable in the region, even as wages are starting to increase and help maintain growth.

The portfolio sub-manager reduced the allocation to Australia despite the country's strong economy because of the absence of major technology companies and the bearish market sentiment toward the large banking sector. This reduction helped fund investments in North Asian markets.

The unexpectedly swift reopening of China's economy following the reversal of the zero-COVID policy supported a rebound in economic activity and prompted the portfolio sub-manager to increase its overweight to the country. GDP growth picked up as expected and property sales improved in the first quarter of the year without government assistance, which are positive developments.

China's reopening had a positive impact on Hong Kong's economy, with tourism recovering and residential property prices rising.

With regard to environmental, social and governance (ESG) matters, the portfolio sub-manager added to many of its positions within the electric vehicle (EV) supply chain, including Samsung SDI, which has been aggressively expanding its EV battery business. Exposure to lithium stocks was also introduced through POSCO Holdings and Mineral Resources given the tight market. The portfolio sub-manager also invests in utility company Sembcorp Industries as it is transitioning away from thermal coal into renewable energy.

Templeton Emerging Markets Fund
(1.6% of the Fund as at June 30, 2023)

For the period ended June 30, 2023, Templeton Emerging Markets Fund posted a return of 7.1% gross of management fees, compared to 2.6% for its benchmark, the MSCI Emerging Markets Index.

During the period, stock selection in the Financials sector and an overweight to the Information Technology sector were the leading contributors to performance. Within Information Technology, Taiwan Semiconductor Manufacturing Company (TSMC) and MediaTek contributed the most.

TSMC is the world's largest foundry semiconductor company. They beat earnings expectations in the fourth quarter of 2022 despite the challenging environment. Hopes of a recovery in late 2022 and cuts in capital expenditure to face weakening demand bolstered the stock. TSMC's share price rallied further in the second quarter of 2023 after one of its customers, NVIDIA, delivered upbeat forecasts that drove demand for its artificial intelligence (AI) processors.

MediaTek is a Taiwan-based chip designer for smartphones and other devices. While the company's monthly sales revenue was weak, expectations that they've reached a trough in the first quarter of 2023 helped support the stock price early in the period. MediaTek also announced a partnership with NVIDIA to provide advanced automotive chips integrating NVIDIA's graphic processors.

Meanwhile, stock selection in the Consumer Staples sector dragged down returns. At the security level, China-based commercial bank China Merchants Bank was the largest detractor. Weak loan growth, poor wealth management business results and concerns about a decline in net interest margins weighed on the stock. However, Franklin Templeton believes that the bank is well positioned to benefit from improving consumer confidence thanks to its strong market share in retail banking and wealth management.

Genpact, a U.S.-listed technology services company with significant exposure to India, also detracted from returns. The company's share price declined over the period despite posting steady results for the first quarter. Concerns about an overall slowdown in demand and the potential impact of generative AI on the business put pressure on the stock price.

During the period, Franklin Templeton primarily increased allocations to China, Hong Kong, Thailand and India by adding to the portfolio companies with sustainable earnings power trading at a discount to their intrinsic worth. Additions were also made in South Africa and Hungary. In terms of sectors, new positions were introduced in Health Care, Consumer Discretionary and Materials, with some select holdings added to Consumer Staples and Communication Services.

New additions to the portfolio include Indian cement manufacturer ACC, Chinese household electrical appliance firm Haier Smart Home and Indian aluminum producer Hindalco Industries. Franklin Templeton also added to existing high-conviction portfolio holdings such as WuXi Biologics (a Chinese biologics company engaged in contract research, development and manufacturing), Samsung SDI (a top Korean lithium-ion battery manufacturer) and Techtronic Industries (a leading Hong Kong power tools manufacturer).

Conversely, Franklin Templeton trimmed portfolio allocations to Taiwan, Brazil and the United States (via U.S.-listed Genpact), as well as to the Information Technology, Industrials and Financials sectors.

NEI Emerging Markets Fund
(1.6% of the Fund as at June 30, 2023)

For the period ended June 30, 2023, the NEI Emerging Markets Fund posted a return of 4.7% gross of management fees, compared to 2.6% for its benchmark, the MSCI Emerging Markets Index.

At the beginning of the period, China's move away from its zero-COVID policy drove market optimism. However, markets corrected in February and March due to escalating tensions between the United States and China following the spy balloon incident, stronger-than-expected U.S. jobs numbers causing the U.S. Federal Reserve (Fed) to announce further monetary tightening, and the collapse of two mid-sized U.S. banks, affecting global financial stability and resulting in a selloff in equity markets worldwide. Dissipating contagion concerns from the banking collapse and China's support for reforming private and state-owned enterprises helped markets recover. As a result, the period closed with better-than-expected economic data and a global rally in Information Technology stocks despite signs that China's post-COVID recovery may be flagging.

China started the period buoyed by hopes that the country's economy would rebound after COVID-19 restrictions were lifted. However, geopolitical tensions worried investors as a Chinese surveillance balloon entered U.S. airspace and the United States later announced they would restrict U.S. corporate investment in Chinese technology firms, resulting in China retaliating by banning their large companies from buying semiconductor chips from U.S. firm Micron Technology.

Data coming out of China suggested that the country's economy was slowing down after the first quarter's reopening bounce, although the market rallied towards the end of the period after talks with the United States were held to calm rising trade tensions between the two nations.

Taiwan was initially lifted by broad optimism for technology sector companies after bellwether TSMC beat expectations. A significant boost in foreign trade after China reopened its borders also increased opportunities. Geopolitical tensions caused some volatility over the period, but the market closed the period on a high note despite mixed economic data thanks to investors' enthusiasm for Information Technology stocks.

South Korea also performed well over the period as the country's economic data improved and inflation eased. The South Korean market outperformed the benchmark index due to Information Technology stocks rallying after U.S. chip giant NVIDIA reported surging AI-driven demand for its technology. NVIDIA's upbeat forecast buoyed the shares of AI-related companies.

The South African market struggled over the period due to signs of inflation's resurgence. A power crisis continued to threaten the country's economic recovery after its dominant electricity supplier warned of continued power blackouts this winter.

From a sector allocation perspective, Information Technology, Financials and Industrials contributed the most to performance during the period, while Consumer Discretionary, Energy and Consumer Staples were the only sectors dragging down returns.

Allocations to India and Taiwan helped the most performance, while allocations to China, South Africa and Hong Kong were the only notable detractors.

TD Emerging Markets Fund
(January to April, 2023)

For the period ended April 30, 2023, the TD Emerging Markets Fund, posted a return of 2.7% gross of management fees, compared to 3.0% for its benchmark, the MSCI Emerging Markets Index.

During the period, country allocation contributed positively to performance thanks to overweights to Indonesia and Mexico and underweight to China. The Sub-Adviser reduced the underweight to China, funding it by reducing the allocation to India, which entered a short-term economic slowdown after equity markets outperforming in the past two years. Macroeconomic data suggested that China's growth momentum had weakened meaningfully after a robust rebound in the first quarter, with the service sector recovery offset by lacklustre manufacturing, real estate and export demand.

Stock selection in Indonesia helped returns thanks to positions in select quality banks that delivered robust results in the first quarter of 2023 on the back of strong loan growth and improvement in asset qualities.

The Sub-Adviser remained bullish on Mexico's macroeconomic outlook as the country continued to benefit from robust remittances from the United States. Supply chain deglobalization and near-shoring will also prove favourable due to the country's trade partnerships and low wages.

The portfolio's positioning in Information Technology companies involved in semiconductors and AI in South Korea and Taiwan such as TSMC, Samsung Electronics and AirTAC added to returns.

The lack of holdings in Malaysia, Qatar, Kuwait and the United Arab Emirates also bolstered performance.

Stock selection and an overweight to South Africa were the leading detractor from returns during the period, driven by positions in Anglo American, Anglo American Platinum and Capitec Bank. The South African market was negatively impacted by volatility due to electricity power cuts, rising inflation and banking industry contagion concerns.

The portfolio's position in oil and natural gas company Galp Energia dragged down returns. The Sub-Adviser is bullish on the outlook for energy companies and believes Galp has attractive upstream assets with meaningful growth potential. The company has caught up with its industry peers towards its environmental, social and governance (ESG) targets and transition to net zero.

RBC Emerging Markets Dividend Fund
(April to June, 2023)
(1.6% as at June 30, 2023)

RBC became a Sub-Advisor of the FÉRIQUE Emerging Markets Equity Fund in early April 2023. For the period ended June 30, 2023, RBC Emerging Markets Dividend Fund posted a return of 2.7% gross of management fees, compared to -0.2% for its benchmark, the MSCI Emerging Markets Index.

Equity markets delivered modest gains in the second quarter of 2023, as enthusiasm over artificial intelligence (AI) boosted Information Technology stocks. While major central banks in developed economies continued to raise rates, moderating inflation increased expectations of rate cuts in emerging markets, especially in Latin American, Central Eastern Europe and India. As a result, interest rates were reduced in Hungary in June and Chile in July.

Emerging market equities underperformed their developed market peers over the period. In developed markets, the United States led the charge, bolstered by mega-cap Information Technology companies soaring, driven by hype over AI while the rest of the market posted a muted performance.

Within emerging markets, there were substantial performance discrepancies across countries, with Poland, Hungary, Greece and Brazil outperforming, while Malaysia, Turkey, China and Thailand underperformed.

Accounting for over 30% of the benchmark index, China underperformed, with economic data showing ongoing vulnerabilities in the property markets and declining export numbers. Youth unemployment soared to above 20% and the Purchasing Managers' Index fell below 50. While the government had refrained from taking action, such weakness in the economy has increased the probability that authorities will intervene to support growth and restore consumer and business confidence, which would bolster markets.

At the sector level, Energy, Financials and Information Technology outperformed, while Communication Services, Consumer Discretionary and Real Estate underperformed. Value and small cap stocks also outperformed their quality and growth peers.

FÉRIQUE Global Sustainable Development Equity Fund
(5.2% of the Fund as at June 30, 2023)

The FÉRIQUE Global Sustainable Development Equity Fund posted a net return of 9.7% for the period ended June 30, 2023. Its benchmark, the MSCI ACWI Sustainable Index (CA$), posted a -1.1% 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.

On a relative basis, the Fund outperformed its industry median[1], which posted 8.7%, net of fees for the period.

The portfolio posted positive returns during the period as semiconductors companies within Information Technology benefitted from higher growth expectations and demand for end-market products such as electric vehicles (EVs) and artificial intelligence (AI). Industrials also contributed to performance, with businesses reaping the benefits of the U.S. *Inflation Reduction Act* and resource companies experiencing solid demand. However, Materials detracted slightly due to some companies held in the portfolio were negatively impacted by inventory destocking.

On a relative basis, the portfolio outperformed the benchmark due to its overweight to Information Technology, Communication Services and Financials. These three sectors' outperformance, which was mainly due to a narrow group of mega-cap stocks' outstanding results, buoyed the overall market during the period.

The portfolio's top performers included U.S. technology multinational Microsoft, which rose on the back of steady investor optimism regarding their ability to benefit from recent AI innovations. Microsoft is also a safe haven for investors due to their strong balance sheet and ability to generate positive free cash flows. U.S. computational software company Cadence Design Systems also posted steady quarterly results indicating resilient demand for their design tools. The company benefitted from market segments such as memory chips reaching a trough, nearshoring initiatives in the semiconductor supply chain and potential stronger demand from AI-driven software applications. French electrical components and equipment company Schneider Electric performed well on expectations of a better growth outlook and positive news around China's reopening. The company was also bolstered by the U.S. *Inflation Reduction Act* and the European Green Deal.

In contrast, the portfolio's top detractors included Swiss nutrition, health and beauty corporation DSM-Firmenich, whose stock price trended lower on weaker vitamin and supplements demand and yet unproven synergies from the recent merger. Moreover, the flavour and fragrance division experienced a longer-than-anticipated destocking period. The company announced measures to reduce commodity vitamin exposure and focus on post-merger cost synergies. German international pharmaceutical and laboratory equipment supplier Sartorius experienced a decrease in order intake and poor visibility due to inventory destocking. Hong Kong-based insurance and financial corporation AIA Group was negatively impacted by deteriorating sentiment towards the Financials sector following turmoil in the banking industry and by slowing sales from mainland China visitors.

The portfolio sub-manager exited its position in U.S. financial services holding company Globe Life over environmental, social and governance (ESG) considerations following unsatisfactory attempts to engage with the company over a recent controversy regarding workplace practices at a sales agency. The company's unwillingness to engage on the subject was viewed as highly unusual, resulting in an ad hoc ESG review and downgrade, and ultimately an exit from the position. With the proceeds, the portfolio sub-manager added Irish food company Kerry Group to the portfolio. The global manufacturer of taste and nutrition solutions for the food, beverage and pharmaceutical industries has a best-in-class ESG profile, with a leading climate risk management framework, strong global governance and diversity, equity and inclusion practices, and robust human capital management. German drug discovery and development company Evotec was also sold off on lower conviction in the medium-term earnings outlook.

**FÉRIQUE Global Innovation Equity Fund
(5.7% of the Fund as at June 30, 2023)**

The FÉRIQUE Global Innovation Equity Fund posted a net return of 21.3% for the period ended June 30, 2023. Its benchmark, the MSCI ACWI Index (CA$), posted a 11.6% 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[1], which posted 8.7%, net of fees for the period.

Both stock selection and sector allocation contributed to performance during the period. Positive stock selection within Information Technology and Health Care contributed the most to relative returns. Selection in no specific sector hampered performance. A result of the bottom-up stock-selection process, sector allocation also added to relative returns, thanks to an underweight to Financials and overweight to Consumer Discretionary. Meanwhile, the overweight to Health Care dragged down returns.

From a regional perspective, the portfolio's overweight to the United States contributed most to performance.

At the end of the period, the portfolio was most overweight to Consumer Discretionary and Health Care and most underweight to Industrials and Consumer Staples.

From a stock allocation perspective, NVIDIA and Amazon.com were the top contributors to relative performance, while UnitedHealth Group and a lack of position in Apple were the top detractors. NVIDIA, a top designer of industry-leading graphics processing unit (GPU) chips, rose substantially on the back of accelerating demand for its GPU chips from data centres looking to hyperscale their computational workload and from companies trying to power their artificial intelligence (AI) services. Shares of Amazon.com rose on sustained demand for its Amazon Web Services (AWS) product after the company launched its generative AI algorithm, Amazon Bedrock, which is expected to be rolled out in the fourth quarter of 2023. Conversely, shares of UnitedHealth Group, a leading U.S.-based managed health care and insurance provider, dropped after releasing quarterly earnings that fell below market expectations due to lower utilization rates and higher medical costs.

Over the period, the portfolio sub-manager initiated positions in Advanced Micro Devices (AMD) and Flutter Entertainment. AMD is a leading U.S.-based chip designer specialized in computing and graphics processors. The stock was added due to its attractive valuation. Flutter Entertainment is a leading online gaming and entertainment platform that was added on the back of the portfolio sub-manager's expectations for improving per-unit revenue driven by moderating promotional spending and customer acquisition costs.

The portfolio sub-manager believes in being on the right side of critical environmental, social and governance (ESG) issues to have a viable future in many sectors. It favours companies driving positive ESG outcomes by helping their clients achieve ESG-related goals such as automating energy management, generating cleaner energy and reducing carbon emissions from shipping. As a consequence, SolarEdge, a global provider of smart inverter solutions, and Stem, a leader in AI-enabled smart energy storage and software solutions, were added to the portfolio. Both renewable energy companies are benefitting from accelerating adoption rates driven by tailwinds from the U.S. *Inflation Reduction Act*.

The portfolio sub-manager liquidated positions in Qualtrics, a leading U.S.-based experience and survey management platform, when the company's share price hit its target price after accepting an acquisition offer from Silver Lake and the Canada Pension Plan Investment Board. The portfolio sub-manager also took profit from its position in Seagen, a leading U.S. biotechnology company focused on oncology treatments, following Pfizer's announcement that it would acquire the company to bolster its oncology drug portfolio.

Recent Developments

**FÉRIQUE Canadian Bond Fund
(21.7% of the Fund as at June 30, 2023)**

Addenda

The first half of 2023 was quite tumultuous on the bond market. Central banks continued to tighten their monetary policy, while slowing the pace of their key interest rate hikes, which set the tone for the period. The U.S. Federal Reserve (Fed) hiked its key interest rate's target range by 25 basis points (bps) at each Federal Open Market Committee meeting in 2023 except for the last of the period, when they left the rate unchanged. However, the Fed signalled that other hikes would still be required to bring inflation down to its target. Meanwhile, the Bank of Canada (BoC) hiked its key interest rate by 25 bps in January before announcing it would give time for previous rate hikes to take full effect before going forward with further increases. The central bank thus kept its key interest rate steady at its two following meetings, before deciding on a 25 bps hike at its June meeting.

Despite substantially higher key interest rates, inflation remained stubbornly above target, although lower than previously due to slower price growth for goods as a result of supply chains recovering from disruptions and falling oil prices. However, prices for services are still rising at a rapid pace, mainly due to wage pressure. By the end of the period, the economy was still weathering central banks' repeated key interest rate increases, supported by the strong labour market and healthy household savings cushioned by wage increases.

Bond market investors thought at first that fighting inflation would cause a recession. However, they were reassured by the release of strong economic data. As a result, longer-term rates fell in January, before climbing back up in February. In early March, certain U.S. regional banks faced major disruptions that reignited fears of a recession and caused bond yields to fall. They then gradually climbed back near their pre-banking crisis peaks.

Coming into the second half of 2023, there are two conflicting views of the global economy. Some believe that central banks will have to tighten their monetary policy even more to ease inflationary pressures caused by excess demand, while others already expect inflation to fall as a result of the previous rate hikes.

If the economy does not slow down enough and inflation stays high, inflationary expectation may become unanchored and interest rates may rise. However, the portfolio manager believes that the economy is not on the cusp of a recession.

Yet, in light of the economic conditions, the portfolio maintains a shorter duration relative to the benchmark index.

During the period, the portfolio sub-manager engaged with several companies over ESG considerations. Among them, it reached out to Enbridge to talk about their greenhouse gas (GHG) emissions from a sustainability perspective. Addenda discussed with the company's executives of their goal to reduce GHG emissions intensity in connection with their sustainability obligations and their emissions as of May 2023. Addenda sought to understand the role such a GHG emissions intensity reduction goal played in the company's overall energy transition and journey to net zero.

Moreover, along with Climate Action 100+, the portfolio sub-manager had a talk with Enbridge about their GHG reduction goals and capital spending in renewables. This engagement confirmed Addenda's previous analysis finding that Enbridge had industry-leading ESG policies and the adequacy of the company's energy transition plan.

Baker Gilmore

It remains impossible to predict the outcome of Russia's invasion of Ukraine and its potentially disruptive impacts on the economy and the markets. In the near term, inflation is expected to stay elevated because both countries are major exporters of essential commodities. The geopolitical crisis is likely to cause increases in defence spending and financial assistance to poorer households and systemically important companies in many countries. Higher government spending will lead to increased deficits and government bond issues.

Persistent inflationary pressures (with price increases shifting from goods to services, which are sensitive to wage increases) drove major central banks to start aggressively raising their key interest rates and launching quantitative tightening programs. It is very difficult to predict future central bank interventions, given the unique character of this economic cycle and the current geopolitical crisis, even though inflation reached a multi-decades high, the labour market is moving toward full employment and wage increases are ever more substantial and well anchored in many developed economies.

Against this backdrop, the risk of a monetary policy mistake remains high, because central banks have maintained accommodative monetary policies for a very long time and are now forced to tighten their monetary policy more aggressively to curb inflation.

While banks' performance is still a major concern and will require close monitoring, financial institutions in developed countries, such as Canada, are well capitalized. Regulatory authorities have greatly improved policy tools at their disposal to address any tensions or failure in the banking sector to contain any systemic risks to the economy.

As inflation remains stubbornly high, central banks might need to continue raising rates and then keep them high for some time to bring inflation back within the target range over the medium term, especially in light of the currently robust nominal GDP growth (without adjusting for inflation), which is driven by rising prices and a tight labour market.

As a result, the portfolio manager will maintain the portfolio duration shorter than the benchmark. With regard to sector allocation, the portfolio is overweight to federal bonds. The portfolio is underweight to corporate bonds, especially in the Utilities and Industrials sectors, but overweight to asset-backed securities.

Despite inflation slowing down in Canada, the portfolio manager expects it to stay well above the BoC's 2% target for a while longer. With that in mind, the portfolio maintains an exposure to attractive real return bonds.

Environmental, social and governance (ESG) considerations are integrated into the investment process through a top-down and bottom-up analysis. Some companies held in the portfolio are directly involved in improving ESG outcomes, such as FortisBC Energy, a regulated utilities company that only distributes electricity. The company is currently increasing its renewable and low carbon gas supply to decarbonize their operations. Fortis has a goal of reducing direct greenhouse gas emissions by 35% by 2035 and reach net zero by 2050. So far, the company has cut its emissions by 20% compared to 2019 levels. Fortis is the first Canadian natural gas company to issue a green bond, which is held in the portfolio. Proper planning and a commitment to the transition toward sustainable energy are major factors to determine the green bond's creditworthiness, especially regarding longer maturity ones.

FÉRIQUE Global Sustainable Development Bond Fund (8.6% of the Fund as at June 30, 2023)

AlphaFixe Capital

Central banks aggressively tightened their monetary policy over the past year. Accordingly, AlphaFixe will monitor economic activity for signs of a recession.

Because a recession will inevitably cause job losses, the portfolio sub-manager is worried about the labour market and will keep a close eye on economic conditions. However, nothing indicates that unemployment rates might surge in Canada or the United States.

Monetary policy has a lagging effect on the direction of the economy. The cumulative key interest rate hikes since March 2022 have not taken full effect yet. There is still a risk that the Bank of Canada (BoC) might be acting too aggressively and driving the economy into a recession. Geopolitical factors should also be closely monitored because of the surprise they may cause for investors.

The portfolio sub-manager had predicted that inflation would slow down on an annual basis in the first half of 2023, as the impacts of the pandemic and the war in Ukraine on prices subsided. This base effect allowed inflation to drop in the 3 – 4% range, whereas central banks aim for 2%, a target that will prove more challenging than anticipated to meet.

Last year, AlphaFixe opted for a shorter duration relative to the benchmark index, as it expected rising interest rates and inflation. The portfolio sub-manager increased the portfolio's duration as rates went up.

AlphaFixe thinks that central banks will not substantially tighten their monetary policy anymore, as they have entered into an adjustment period that will allow them to gauge their response based on economic conditions. With that in mind, the BoC left its key interest rate unchanged following its March and April meetings, before raising it once more after the June meeting, believing that the economy was still growing too quickly for inflation to drop to its 2% target.

In light of the rising risk of a recession, the portfolio sub-manager is becoming increasingly confident that additional rate increases won't be required. The portfolio's duration is slightly below that of its benchmark index. It favours corporate bonds benefitting from attractive yield spreads relative to government bonds. When the economy will show more signs of a slowdown, especially in the job market, AlphaFixe will alter the portfolio's positioning in anticipation of a recession by maintaining a longer duration relative to the benchmark index and by focusing on high-quality corporate bonds.

BMO Global Asset Management

The inflationary environment remains challenging in developed markets, but forward-looking data and labour markets are showing some signs that inflation might be easing. However, the portfolio sub-manager expects the higher inflation risks to persist, along with some of the structural economic changes caused by the COVID-19 pandemic. Accordingly, a return to a "lowflation" environment like in the post-Financial Crisis era is very unlikely.

The economy has remained extremely resilient in the face of significant monetary tightening over the past year. Given this, the market has priced in the prospect of a "soft landing" of the economy as being the more likely scenario. However, BMO still thinks recession risks are elevated in the face of long and variable lags in monetary policy. Inflation started to fall this year and will likely continue to do so over the coming 12 months, amid favourable base effects, easing supply constraints and weaker demand driven by rising interest rates.

Falling inflation is a positive development for bond markets, as it removed much of the negative asymmetry that existed last year. As a result, the portfolio sub-manager has moved to a more positive duration stance. Nevertheless, with inflation already expected to fall, labour market strength will be the key factor for bond market pricing. Forward-looking indicators suggest that the labour market should weaken, but until there is clearer evidence that companies have done away with labour hoarding, BMO will remain somewhat cautious against moving to a significantly overweight duration relative to the benchmark.

Certain sectors, like banking, appear to be more vulnerable than others. As a result, the portfolio sub-manager's exposure to subordinated bonds remains very limited. Companies continue to issue greater numbers of green, social and sustainable bonds, and the portfolio sub-manager will look for investment opportunities as they arise. BMO takes into account the benchmark index's overall risk parameters for its risk positioning but does not invest in some sectors to comply with the portfolio's broader objectives. As a consequence, the portfolio is not invested in securitized assets, such as mortgage-back securities. Large performance variations of these assets can impact the portfolio's relative performance.

**FÉRIQUE Globally Diversified Income Fund
(6.8% of the Fund as at June 30, 2023)**

The Bank of Canada raised its overnight rate by 25 basis points (bps) in January and then kept it steady until June, when it raised it again by 25 bps to 4.75% and signalled additional hikes. Similarly, the U.S. Federal Reserve hiked its target range by 75 bps to 5.00 – 5.25%. Positive inflation numbers and strong jobs reports in the first half of the year caused volatility in the bond market, with yields trending up in the second quarter. Credit spreads, which is the additional rate over government bonds offered to investors to hold these securities, were also volatile, especially in March because of turmoil in the banking sector.

Canadian equities rose in the first quarter but declined slightly during the second quarter.

Global corporate credit spreads were tighter overall during the first half of 2023. Spreads widened in March due to uncertainty surrounding the financial sector but narrowed in the second quarter driven by strong investor demand and reduced new supply.

Engagement and stewardship are core to Addenda's Sustainable Investing Policy. In addition, the portfolio sub-manager has a firm-wide Stewardship Policy, which highlights the principles that underscore Addenda's commitment to undertaking stewardship for their clients and provides a framework for implementing that commitment. Below is an example of an engagement activity conducted during the period.

The Province of Ontario and the fixed-income team had a discussion on ESG initiatives and sustainable financing activities. Addenda observed language in their Green Bond presentation that indicated they would release an updated Green Bond Framework with the possibility of expanding the language to create a Sustainable Bond Framework. This would allow them to issue Social or Sustainable debt instruments in addition to Green bonds. Understanding their plans for this update and determining whether they would have sufficient Green and Social projects to issue either Green, Social or Sustainable Bonds (a hybrid financing of eligible Green and Social projects) were important discussion points because they are a major Canadian issuer of green bonds.

In August 2023, portfolio sub-manager Insight Investment International Limited replaced Allianz Global Investors UK in the Globally Diversified Income Fund.

**FÉRIQUE Canadian Dividend Equity Fund
(14.4% of the Fund as at June 30, 2023)**

Markets were very volatile during the period, especially at the end of the first quarter, due to financial instability and liquidity issues in the market as a result of central banks' significant rate hikes over the past year and problems emerging at specific banks. These events created a risk-off environment where investors lost confidence and fled riskier assets for government bonds and gold mining companies.

Looking forward, central banks are likely to be more cautious when tightening their monetary policy, but this will prove challenging because of the persistent inflationary pressures and strong labour market. Artificial intelligence also emerged as a catalyst for a number of Information Technology companies, which had a positive impact on the sector. However, the portfolio sub-manager is concerned that the macroeconomic environment may lead to increased market volatility.

The Fund is structured to take advantage of mispricing opportunities in higher quality holdings, while benefitting from their steady flow of above-average dividends. It maintains a smaller allocation in higher-potential, out-of-favour companies.

FÉRIQUE Canadian Equity Fund
(9.7% of the Fund as at June 30, 2023)

CC&L

Global equity markets started the year strong as the global economy improved in response to China reopening and natural gas prices falling in Europe. However, concerns over stubborn high inflation and U.S. regional bank troubles resulted in equity market volatility in the latter half of the first quarter. Investor enthusiasm has recently been propped up by better-than-expected fundamentals, compounded by a new bullish narrative surrounding AI.

Indeed, the market rotated away from a broad range of average stocks toward large Information Technology companies, with market leadership experiencing a sharp reversal from 2022. After a challenging 2022, growth stocks significantly outperformed their value counterparts. In Canada, Information Technology was the top-performing sector in the first quarter of 2023 despite being a top underperformer in 2022. Conversely, Energy was the weakest-performing sector in the first half of 2023 after outperforming the market in 2022.

Interest rate increases have a lagging slowing effect on economic activity. The portfolio sub-manager believes that the full impact of aggressive rate hikes has not yet been felt through the economy. Leading economic indicators, including an inverted yield curve and weak regional manufacturing surveys, continue to point to growth slowing down. Additionally, banks are expected to tighten their lending conditions due to the recent issues in the sector. Such measure will slow economic growth. As a result, the probability of a shallow recession over the next 12 months has increased.

In the 1970s and 1980s, when inflation was structurally higher, earnings per share contracted by 16%, on average during recessions. Thus far, the modest earnings decline has been driven by a reduction in profit margins. As economic growth slows, the portfolio sub-manager expects profit margins to continue contracting and revenues to start declining, which will, in turn, push earnings further down.

The equity risk premium is defined as the excess return above bond rates that rewards equity investors for taking higher risk. As the perceived risk of equity markets increases the equity risk premium moves higher. Typically, the equity risk premium shoots up during a recession. However, it is currently sitting at average levels in Canada and at trough levels in the United States. The portfolio sub-manager expects it to move higher over the coming quarters, which will put pressure on valuation multiples. Overall, CC&L has become more bearish on equity markets after they rose during the banking crisis that caused the fall of Credit Suisse, narrowed market breadth and increased risks of a recession.

The portfolio sub-manager continues to focus on stable companies with resilient earnings and dividend profiles. It seeks to invest in businesses that can thrive in a slower-growth environment and maintain strong fundamentals. Overall, the portfolio is positioned defensively, with a focus on stability at the sector and security level. As markets are becoming increasingly volatile, the portfolio sub-manager may look to invest in cheap, cyclical companies able to outperform during an economic recovery.

Franklin Templeton

Canadian equities continued to rise in the first half of 2023 and inflation was still central banks' primary concern. However, headline consumer inflation started to ease, largely due to lower energy prices, including crude oil and natural gas.

Eight of eleven sectors of the benchmark index posted positive total returns during the period, with Information Technology, Utilities and Industrials performing the best. Information Technology was the top sector, building up on a strong showing in the fourth quarter of 2022 after underperforming in the three previous quarters. The Utilities sector outperformed on the back of electrical and diversified power generating companies, while Industrials' outperformance was broad-based. Meanwhile three of the four largest sectors (Energy, Financials and Materials) of the index declined.

The impacts of recent aggressive interest rate increases and quickly tightening financial conditions are being felt across the market. In March the U.S. banking system was in turmoil when several banks failed, including Silicon Valley Bank (SVB), the country's 16th largest bank. Regional banks suffered from rising rates, as short-term funding costs rose rapidly and the value of their investment assets declined sharply. Signs of SVB's troubles caused panic among depositors that, in turn, drove them to withdraw their money and sparked a modern bank run. Regulators stepped in to protect both insured and uninsured deposits.

Meanwhile, contagion from the turmoil in U.S. banking caused share prices of Canadian banks to weaken. Nevertheless, the Canadian banking sector remains relatively well positioned and stable due to its strict capital and liquidity requirements, risk management standards, conservative lending practices, adequate oversight and regulation and significant concentration, as the industry is dominated by a few major financial institutions. It should be noted, however, that Canadian banks remain cyclical businesses at a time where there is likely pressure on near-term profitability.

North American markets continue to be heavily influenced by expectations regarding changes in key interest rates and their ripple effects on macroeconomic variables. The inflation rate is still above the target range, but labour markets remain tight, further contributing to elevated and sticky inflation. Against this backdrop, the portfolio sub-manager acknowledges that slowing economic growth, higher unemployment and resilient inflation may lead to stagflation, which would prove particularly damaging for the economy.

Many investors now believe that lower interest rates must always equate to higher equity valuations, which was reflected in the first half of 2023. During the period, growth and concept stock, especially in the Information Technology sector, generated outsized returns as interest rates moved lower. While lower discount rates increase the value of future cash flows, falling interest rates in response to worsening economic conditions may also signal that there are less cash flows to discount. Similarly, if the economic environment requires central banks to pivot and cut their key interest rates and ease their monetary policy, equity valuations may not automatically increase.

The portfolio sub-manager invests in companies that should be able to withstand – and even thrive in – a more challenging macroeconomic environment characterized by higher inflation. However, stubbornly high inflation would still have a negative impact on the market and the portfolio. The portfolio is positioned with a long-term perspective and is ready for periods of both above- and below-average growth. When valuing companies, the portfolio sub-manager uses a normalized economic growth trend to establish conservative valuations. Equities' sensitivity to interest rate fluctuations is constantly monitored and taken into account when making decisions regarding the portfolio's positioning. The portfolio sub-manager also acknowledges that unforeseen events such as a recession may always cause equities to correct in the short term.

FÉRIQUE American Equity Fund
(10.9% of the Fund as at June 30, 2023)

Columbia Threadneedle

Despite expectations for a softer earnings season, U.S. equity markets soared in January, driven by investors' belief that the U.S. Federal Reserve (Fed) would end its tightening cycle in light of recently released economic data. Risk appetite supported U.S. equities, with many longer-duration growth segments outperforming traditionally defensive sectors. In February, stocks lost some of the ground gained earlier in the year, as surprisingly resilient data reset rate expectations. In March, investors were left uneasy by a fragile banking sector when tech-focused Silicon Valley Bank and Signature Bank collapsed following bank runs on their deposits. Later in the period, market activity was significantly impacted by surging investor interest in artificial intelligence in May.

After protracted negotiations between the White House, Democrat leaders and Republican leaders, a bipartisan budget deal to raise the debt ceiling was signed into law ahead of the June 5 deadline, thus avoiding a default on U.S. Treasury obligations.

Higher interest rates and a weaker economy had impacts beyond the banking sector. As a consequence, the portfolio sub-manager is monitoring earnings expectation for more economically sensitive businesses.

Artificial intelligence – and ChatGPT – has emerged as a major theme in recent months. It is yet too early to know the full implications of this development, but the portfolio sub-manager is watching closely the situation, as it will likely be a huge opportunity for some companies but also a major disruptor to others.

River Road

In the first quarter of 2023 the Fed demonstrated its willingness to raise rates "until something breaks." Cracks began to appear during the quarter, as Silicon Valley Bank (SVB) collapsed following the first U.S. bank run of the digital era and the largest bank failure since Washington Mutual was crushed by subprime mortgage losses in 2008. Policymakers promptly responded by protecting all deposits at SVB to prevent a bank run at smaller banks. However, the Fed raised short-term interest rates just a few days later, further exacerbating the underlying problem.

U.S. equity markets were volatile in the first half of 2023 as monetary policy became both increasingly consequential yet less predictable. Undaunted by a series of notable bank failures, the Fed maintained a tight monetary policy, causing cracks to emerge in the labour market. Higher rates and easing pressure on the labour market should translate into lower inflationary pressure, but the spectre of a recession still remains. Highly levered companies facing continued margin pressure are cutting dividends. The portfolio sub-manager believes that a confluence of forces such as slowing global economic growth, rising interest rates, a war and a systematic decline in trust, will drive sustained outperformance for the portfolio over the long term, but the coming months could prove bumpy.

FÉRIQUE European Equity Fund
(5.5% of the Fund as at June 30, 2023)

Lazard

Easing macroeconomic turmoil created a favourable environment for equities in the first half of 2023. Specifically, improved energy supplies have de-risked European equities, helping catalyze the region's strong stock market performance during the period. The more stable energy supply also helped businesses and consumers, and its impacts reverberated through the economy by improving consumer sentiment from depressed levels.

While the economy has been doing relatively well, divergences are emerging across different areas. The services sector is expanding while manufacturing is nearing a three-year low. Supply chain disruptions easing and shipping logjams clearing resulted in excess inventory eating into the increased revenues generated from earlier price increases.

The portfolio sub-manager remains cautious when determining if stocks will continue to climb. Equity and bond markets are emitting conflicting signals to that end. On one hand, the bond market has been anticipating interest rate cuts from the European Central Bank (ECB) by the end of 2023, which would imply a serious and rapid deterioration in economic conditions. The portfolio sub-manager believes that the ECB will very unlikely go from steadily hiking rates to cutting them by the end of the year, with annual inflation at 6.1%, still running well above the central bank's 2% target. Simultaneously, equity markets have been buoyant with cyclical stocks outperforming and not pricing in any possible slowdown of the economy. The portfolio sub-manager expects reality to lie somewhere between these two distinctly different scenarios.

The past six months were challenging on markets. The banking crisis that started in the United States spilled over to Europe and caused the collapse of leading Swiss bank, Credit Suisse, which was acquired by rival, UBS.

Elsewhere, growing excitement over artificial intelligence unleashed a fresh wave of optimism across markets. The portfolio sub-manager believes that several European companies are well positioned to benefit from this new technology.

Complacency is creeping up in equity markets. The portfolio sub-manager still expects the European economy to face a bumpy landing with a sharp slowdown as the aggressive monetary tightening of the past year begins to take full effect. However, European equities remain modestly valued, especially relative to their U.S. peers.

By the end of the period, the portfolio was most overweight to the Industrials sector, where the portfolio sub-manager finds investment opportunities in aerospace and defence companies.

Conversely, Consumer Staples is the portfolio's largest underweight in spite of the positions added during the period.

ESG considerations have influenced the portfolio's positioning in the Industrials sector, where a position in Volution Group was introduced. Volution Group is a ventilation product manufacturer with a growing focus on heat pumps. In Lazard's view, the business is well positioned to benefit from structural growth trends regarding energy efficiency and the greater need for ventilation solutions. Low-carbon products now make up 60% of the market today, up from 40%. The company owns leading brands in key growth markets, generates impressive return, and is boosting its margins through bolt-on acquisitions.

Walter Scott & Partners

Equity markets have faced a series of challenges over the course of the period despite faring better than anticipated as the economy proved more resilient than expected. While slowing down, inflation was still elevated and forced central banks across developed markets, such as the ECB, to further tighten their monetary policy. Economic data continues to point to a global slowdown of the economy, although U.S. consumers are showing considerable resilience in the face of the macroeconomic headwinds. In Europe, energy prices fell thanks in part to substantial fiscal support programs, and consumption held up better than expected. Germany recently downgraded its GDP figure for the first quarter of 2023, making it the second consecutive quarter with negative growth. China's reopening was beneficial to companies held in the portfolio, although the strength of the country's economic recovery is now in doubt.

Equity markets have now priced in a mild global economic slowdown and investors are turning to leading European businesses known for their operational resilience. Markets are still expected to remain volatile in this environment.

While keeping an eye for shifts in the macroeconomic landscape, the portfolio sub-manager will continue to focus its attention on company fundamentals and focus on innovative, financially stable and well-managed companies that are at the forefront of trends that will drive their earnings over the years to come. The portfolio sub-manager follows a long-term investment strategy and holds companies for long periods of time so that returns reflect their underlying earnings power despite occasional bouts of earnings and share price volatility.

**FÉRIQUE Asian Equity Fund
(4.9% of the Fund as at June 30, 2023)**

The U.S. Federal Reserve may hike interest rates further as inflation is stickier than anticipated, which would drive market volatility, strengthen the U.S. dollar and increase capital outflows from Asian economies. If a recession is avoided, stock prices should trend upward.

Higher-than-expected commodity prices could weigh on Asian economies by causing a reduction in consumption expenditure, while also pressurizing corporate earnings for companies unable to raise prices. Resolution of the Russia-Ukraine conflict could also drive commodity price volatility.

In China, the government's current focus on common prosperity and weak consumer spending could have a negative impact on Chinese companies catering to domestic customers as domestic consumption and internet exposure are down.

For Japan, the portfolio sub-manager is maintaining a long-term overweight to export-oriented manufacturing companies, as they can directly benefit from the exchange rate with the weaker yen. Meanwhile, the domestic economy has recovered and the inflation rate is up, making certain domestic non-manufacturing companies more attractive for investment. Consequently, the portfolio sub-manager is currently focusing on retailers and food companies with strong pricing power and well-differentiated brands. Industries where price increases are gaining momentum, such as construction and system development, may also provide investment opportunities. The portfolio sub-manager is intending on rebalancing the portfolio's investments in non-manufacturing companies to capitalize on opportunities in these attractive sub-sectors.

The lack of major technology companies and the large banking sector's vulnerability to a sell-off over credit quality concerns is thwarting investments in Australia.

China's economic recovery has stalled. Local governments are constrained and high unemployment is causing low consumer sentiment. However, market sentiment is similar to October, a sign that investors are resigned to the fact that the economy will remain sluggish. However, companies are now seeing double-digit earnings growth and single-digit stock prices, a situation that have been rarely seen.

Company earnings are bottoming in Korea and Taiwan, but the economy could recover strongly in 2024 with foreign inflows further accelerating.

The portfolio sub-manager is maintaining an overweight to the high-quality, low-volatility Indian market where earnings growth is stable, as valuations have moderated and foreign investors are coming back.

**Templeton Emerging Markets Fund
(1.6% of the Fund as at June 30, 2023)**

Emerging markets advanced for the first six months of the year but lagged their developed market peers due to China's slower-than-anticipated post-pandemic recovery and sticky inflation in some countries. However, emerging markets' performance should improve over the long term.

Despite a lacklustre post-COVID recovery, Franklin-Templeton believes that China's recent interventions to bolster growth by lowering interest rates and passing stimulus packages could drive the economy in the second half of the year. Equities in South Korea and Taiwan outperformed on a positive outlook, with rising interest and optimism around AI propping up semiconductor manufacturers and hardware exporters. In India, strong domestic consumption and infrastructure investments remain engines for growth.

In Latin America, market sentiment turned positive as several countries embark on a journey of change. The region's economy could benefit from expectations of interest rate cuts in Brazil and growing near-shoring opportunities in Mexico.

Franklin Templeton is looking to invest in companies with longer-term earnings power that trade at attractive valuations, favouring those with a durable competitive advantage and a management team that easily adapts to change. This investment approach should position the portfolio to capture opportunities in emerging markets regardless of market cycles.

NEI Emerging Markets Fund
(1.6% of the Fund as at June 30, 2023)

In 2022, markets faced many headwinds, such as escalating geopolitical risks, China's zero-COVID policy and the Fed monetary tightening cycle to combat rising inflation. All these events contributed to the global economic slowdown.

In emerging markets, inflation is showing signs of easing, which could result in their central banks cutting rates. In addition, China relaxing its zero-COVID policy and making a policy pivot toward growth will give emerging markets a timely boost, especially North Asian economies. The semiconductor downturn is nearing a trough and inventory destocking is peaking, which should benefit the economy in South Korea and Taiwan. Meanwhile, South East Asian economies are resilient and stand to gain from the reconfiguration of Asia's supply chains. In Indonesia, strong consumer demand and commodity prices are boosting momentum. Policy reforms stimulated foreign direct investment and resulted in a current account surplus. Additionally, the central bank has signalled it would end policy tightening.

India is significantly expanding its manufacturing sector and investing in infrastructure to encourage foreign direct investments.

Meanwhile, Brazil benefitted from inflation unexpectedly easing and political uncertainty beginning to clear. In addition, the country's new fiscal policy framework was well received by investors as it balances fiscal responsibility and social responsibility. Mexico's growth outlook is helped by near-shoring, as companies move their supply chains closer to the U.S. borders, and by trade agreements that can help fix supply chain issues identified during the pandemic.

Geopolitical tensions will remain a key risk. With regard to the U.S. – China relation, the re-establishment of working groups on trade, the economy and climate is a positive development, while the United States' intention to limit China's development of high-end technology is a headwind. When it comes to China's relation with Taiwan, NEI will be monitoring Taiwan's main opposition party, which has traditionally maintained close ties with Chinese authorities, to see whether their recent gains in local elections will translate into success at the national scale in 2024. The situation between Russia and Ukraine, and its consequences on inflation, are subject to ongoing monitoring.

Finally, valuation in emerging markets is attractive, as they are significantly below their long-term average and cheaper than other global equities. The Sub-Advisor will focus on quality companies with strong market positions, stable earnings, low leverage and pricing power, as they are expected to fare better in this environment.

RBC Emerging Markets Dividend Fund
(1.6% of the Fund as at June 30, 2023)

Emerging market equities underperformed their developed market peers during the period, primarily due to concerns over China's sluggish economic recovery and stalemate in the U.S.-China relationship. More recently, enthusiasm over generative AI has provided a boost to U.S. mega-cap Information Technology stocks, while the rest of the market has largely seen muted performance.

RBC believes that the current trend is likely to reverse, as the outlook for emerging markets is more favourable than for developed markets. In emerging markets, currencies, inflation and monetary policy are set to become tailwinds, while corporate balance sheets and valuations are also attractive both in relative and absolute terms.

With regard to inflation and interest rates, many emerging economies tightened both their monetary and fiscal policies faster than the United States. In most Asian and Latin American economies, inflation appears to have already peaked. A slowdown in inflation, along with moderating economic growth, could allow emerging markets central banks to focus on lowering rather interest rates in the coming months, a move they have already been signalling.

In addition, both earnings and relative growth look set to improve from cyclically low levels, driven by improved productivity, structural reforms and more growth-friendly fiscal policies.

Finally, the U.S. dollar remains a critical influence on emerging-market equities. RBC believes that the U.S. dollar may experience a sustained period of depreciation because the U.S. current account deficit is at its worse relative to emerging markets in over 20 years and is expected to continue to deteriorate throughout 2024 – 2025. The U.S. fiscal position is also weaker compared to emerging markets, which should support their currencies.

RBC does not believe that a move toward deglobalization, rising populism worldwide, tensions between the United States and China and national security matters will cause a reduction global trade, but rather a restructuring of it. This could lead to a zero-sum game situation for emerging markets. While China has been the dominant player in the global supply chain for two decades, other countries such as Vietnam, Mexico, Malaysia, Indonesia and India are poised to capture a larger share of global exports from China.

FÉRIQUE Global Sustainable Development Equity Fund
(5.2% of the Fund as at June 30, 2023)

Macroeconomic outlook is shrouded in unusually high uncertainty in 2023. Equities have rebounded as markets shrugged off regional bank failures in the United States and Credit Suisse takeover in Europe, reassured by policymaker interventions to prevent contagion. Markets are discounting a shift in monetary policy and a greater likelihood of a soft economic landing in light of slowing inflation. However central banks remain focused on inflationary expectations and may keep interest rates higher for longer than the market anticipates. It takes some time before changes to central banks' monetary policy affect the broader economy; higher interest rates may thus need more time to work through the economy, since visibility is clouded by COVID-19-related inventory destocking. Volatility is likely to persist until inflation is curbed and there is greater certainty that the rate increase cycle has peaked.

The portfolio sub-manager will continue to focus on companies delivering consistent growth that are enjoying strong pricing power but with lower debt levels, as they will be better suited to successfully navigate the challenges ahead. Thus, high-quality companies with structural growth drivers that benefit from the transition to a more sustainable economy remain attractive investment opportunities. 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 or circular economy.

FÉRIQUE Global Innovation Equity Fund
(5.7% of the Fund as at June 30, 2023)

The portfolio sub-manager invests in companies that could drive long-term growth by harnessing innovation and challenge the cyclical nature of the economy by creating new industries or disrupting existing ones. Wellington seeks to invest in companies that leverage data using AI and machine learning or that focus on the digital transformation, migration to cloud, sustainability, direct-to-consumer business models and health care innovation. The portfolio sub-manager is capitalizing on fast-growing companies, as it believes that the market is increasingly misinterpreting cyclical headwinds for structural issues.

In the near term, Wellington expects markets to remain volatile since investors are still adapting to the rising-rate environment, with profit growth to return as the primary driver of stock price performance over the long term. Against this backdrop, the portfolio sub-manager will continue to look for companies generating sustainable growth through innovation.

Wellington still believes that discovering companies that are truly innovative or benefitting 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. Looking beyond the recent short-term disruptions, the pace of innovation continues to accelerate and remains 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.

In August 2023, portfolio sub-manager replaced Allianz Global Investors UK in the Globally Diversified Income Fund.

Mr. Jude Martineau's term as Chair and member of the Independent Review Committee (IRC) ended on March 31, 2023. Ms. Louise Sanscartier was Interim Chair of the Committee from April 1 to June 9, 2023, and was appointed Chair of the IRC Committee on June 9, 2023. Mr. Yves Frenette was appointed as an IRC member for a three-year term beginning April 1, 2023.

Ms. Fabienne Lacoste stepped down as President and Chief Executive Officer of FÉRIQUE Fund Management on July 3, 2023, and was replaced by Mr. Louis Lizotte.

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.

Gestion FÉRIQUE has set up an Independent Review Committee for the Fund in accordance with the requirements of National Instrument 81-107 Independent Review Committee for Investment Funds to review conflicts of interest related to the management of the Fund.

For the six-month period ended June 30, 2023, 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.

For the six-month period ended June 30, 2023, Addenda and Baker Gilmore did not enter into any Related Party Transactions as it pertains to the management of the FÉRIQUE Canadian Bond Fund.

For the six-month period ended June 30, 2023, AlphaFixe Capital has not carried out any related party transactions and BMO Global Asset Management has paid no related party commission fees for the management of the FÉRIQUE Global Sustainability Bond Fund. However, BMO Global Asset Management, manager of a portion of the Fund, traded currency forward contracts with a related party. The Independent Review Committee is of the opinion that the proposed actions by the Manager achieve a fair and reasonable result for the unitholders of the Fund.

For the six-month period ended June 30, 2023, Addenda did not enter into any Related Party Transactions as it pertains to the management of the FÉRIQUE Globally Diversified Income Fund.

For the six-month period ended June 30, 2023, Lincluden did not enter into any Related Party Transactions as it pertains to the management of the FÉRIQUE Canadian Dividend Equity Fund.

For the six-month period ended June 30, 2023, Franklin Templeton and CC&L did not enter into any Related Party Transactions as it pertains to the management of the FÉRIQUE Canadian Equity Fund.

For the six-month period ended June 30, 2023, 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.

For the six-month period ended June 30, 2023, 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.

For the six-month period ended June 30, 2023, Nomura did not enter into any Related Party Transactions as it pertains to the management of the FÉRIQUE Asian Equity Fund.

For the six-month period ended June 30, 2023, Franklin Templeton did not enter into any Related Party Transactions as it pertains to the management of the Templeton Emerging Markets Fund.

For the six-month period ended June 30, 2023, NEI did not enter into any Related Party Transactions as it pertains to the management of the NEI Emerging Markets Fund.

For the six-month period ended June 30, 2023, TD did not enter into any Related Party Transactions as it pertains to the management of the TD Emerging Markets Fund.

For the six-month period ended June 30, 2023, RBC did not enter into any Related Party Transactions as it pertains to the management of the RBC Emerging Markets Dividend Fund.

For the six-month period ended June 30, 2023, Impax did not enter into any Related Party Transactions as it pertains to the management of the FÉRIQUE Global Sustainable Development Equity Fund.

For the six-month period ended June 30, 2023, Wellington did not enter into any Related Party Transactions as it pertains to the management of the FÉRIQUE Global Innovation Equity Fund.

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.

Net Assets per Unit (1) (5)	Six-month period ended **June 30 2023 (6 months)**	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)
	$	$	$	$	$	$
Net assets, beginning of accounting period (4)	**61.67**	71.27	68.00	64.24	57.57	61.80
Increase (decrease) from operations						
Total revenues	**0.51**	1.18	0.92	1.06	1.37	1.14
Total expenses	**(0.03)**	(0.07)	(0.10)	(0.09)	(0.08)	(0.07)
Realized gains (losses)	**0.06**	1.53	3.81	1.61	0.65	1.41
Unrealized gains (losses)	**3.03**	(9.88)	1.68	2.03	5.97	(5.19)
Total increase (decrease) from operations (2)	**3.57**	(7.24)	6.31	4.61	7.91	(2.71)
Distributions						
From investment net income (excluding dividends)	**0.21**	0.49	0.30	0.34	0.38	0.43
From dividends	**0.25**	0.58	0.46	0.62	0.88	0.60
From capital gains	**–**	1.24	2.31	–	–	0.51
Total annual distributions (3)	**0.46**	2.31	3.07	0.96	1.26	1.54
Net assets, end of accounting period (4)	**64.79**	61.67	71.27	68.00	64.24	57.57

(1) 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.

(2) 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.

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

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

(5) In this document, the word "units" indicates Series A units.

Ratios and Supplemental Data	Six-month period ended **June 30 2023 (6 months)**	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)
Net asset value (in thousands of $) (1)	**1,226,107**	1,147,448	1,261,925	1,060,298	992,953	862,869
Number of units outstanding (1)	**18,924,872**	18,607,267	17,706,254	15,592,201	15,458,132	14,989,088
Management expense ratio (%) (2)	**1.06**	1.04	1.12	1.09	1.09	1.05
Management expense ratio before waivers or absorptions by the Manager (%)	**1.06**	1.04	1.12	1.09	1.09	1.05
Portfolio turnover rate (%) (3)	**n/a**	n/a	n/a	n/a	n/a	n/a
Trading expense ratio (%) (4)	**0.04**	0.03	0.05	0.06	0.05	0.06
Net asset value per unit ($)	**64.79**	61.67	71.27	68.00	64.23	57.57

(1) This information is provided as at June 30, 2023 and as at December 31 for the comparative accounting periods.

(2) 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.

(3) 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.

(4) 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 period, annualized management fees charged to the Fund before government taxes amounted to 0.92% and are detailed as follows:

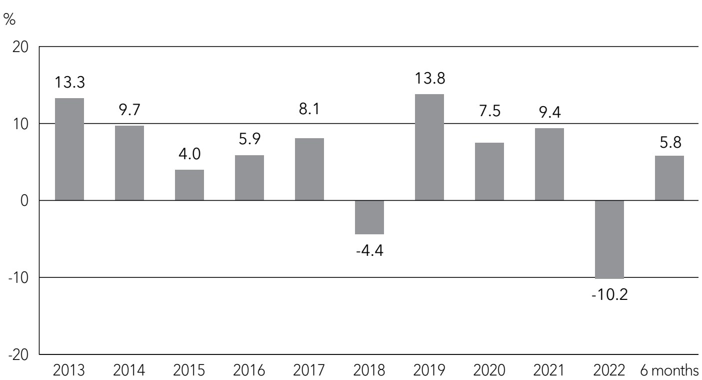
- Management fees: 0.83%
- Administration fees: 0.09%

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, 2023. 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.



Portfolio Overview

The Top Holdings in the Portfolio	% of net asset value
FÉRIQUE Canadian Bond Fund	21.7
FÉRIQUE Canadian Dividend Equity Fund	14.4
FÉRIQUE American Equity Fund	10.9
FÉRIQUE Canadian Equity Fund	9.7
FÉRIQUE Global Sustainable Development Bond Fund	8.6
FÉRIQUE Globally Diversified Income Fund	6.8
FÉRIQUE Global Innovation Equity Fund	5.7
FÉRIQUE European Equity Fund	5.5
FÉRIQUE Global Sustainable Development Equity Fund	5.2
FÉRIQUE Asian Equity Fund	4.9
Cash, Money Market and Other Net Assets	1.8
Templeton Emerging Markets Fund, Series O	1.6
RBC Emerging Markets Dividend Fund, Series O	1.6
NEI Northwest Emerging Markets Fund, Series I	1.6
	100.0

Asset Mix	% of net asset value
Canadian Equity	22.5
International Equity	19.7
U.S. Equity	17.9
Canadian Federal Bonds	9.4
Canadian Corporate Bonds	9.0
Canadian Provincial Bonds	7.7
Foreign Bonds	7.3
Cash, Money Market and Other Net Assets	4.6
Canadian Municipal Bonds	1.0
Canadian Asset- and Mortgage-Backed Securities	0.9
Net Asset Value	**$1,226,106,632**

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 SEDAR's website at sedar.com.

Other Material Information

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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;
- by visiting ferique.com or sedar.com.