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

Investment Objective and Strategies

The FÉRIQUE Moderate Portfolio (the Fund) seeks to maximize investment income and, to a lesser extent, provide long-term capital appreciation through a policy of diversification among different types of investments. The Fund mainly invests in mutual funds that are exposed to bond securities, Canadian and foreign equities, as well as money market securities.

The Fund aims to hold a well-diversified portfolio composed mainly of Canadian and foreign fixed-income securities and of Canadian and foreign equity securities.

The Fund's current investment policy specifies a long-term target portfolio broken down into asset categories as follows (all percentages expressed in the investment strategy are presented as a percentage of the Fund's net asset value):

- Fixed-income funds and money market securities 70%
- Equity funds 30%

The maximum exposure to foreign securities is approximately 40%.

This weighting may vary according to the market fluctuations and investors' transactions in the Fund. Asset category weights are verified monthly. The Fund is rebalanced when the limits predetermined by the Fund's portfolio manager are exceeded.

The Fund invests mainly in units of underlying funds administered by the manager or by third parties in order to obtain the expected exposure to the different asset classes.

Gestion FÉRIQUE, the portfolio manager of the Fund, is responsible for the assets' allocation among the asset classes. The portfolio manager may, at its sole discretion and to maximize the potential of achieving the Fund's objectives, select the underlying funds for the different asset classes, change the percentage holding of any underlying fund, remove any underlying fund or add other underlying funds.

The following criteria are taken into account when allocating the assets of the Fund among the underlying funds: the exposure level to the asset class tolerated in the investment policy, the returns and expected level of risk and the fees. There will be no duplication of fees between the Fund and the underlying funds.

The underlying funds, as well as the money market securities, are managed by portfolio managers or portfolio sub-managers that apply proprietary strategies in their security selection.

Risk

The risks of investing in the Fund remain the same as those described in the Prospectus. The Fund is intended for investors with a low risk tolerance who wish to invest over the medium or long term. It can also be used by investors looking for diversification within a single portfolio. During the Period, there were no changes to the Fund that materially affected the overall risk level associated with an investment in the Fund.

Results of Operations

The FÉRIQUE Moderate Portfolio posted a net return of 6.8% for the fiscal year ended December 31, 2023, compared to a return of 8.6% 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 matched the industry median[1], which posted 6.8%, net of fees for the period.

The FÉRIQUE Moderate Portfolio matched its comparison universe mainly due to its exposure to the FÉRIQUE Canadian Bond Fund and the FÉRIQUE Global Sustainable Development Bond Fund. The Portfolio suffered from its overweight to Canadian equities and its underweight to US equities compared to its universe during the period. However, the outperformance of the FÉRIQUE Canadian Bond Fund relative to its comparison universe was beneficial.

No changes were made to the target weighting during the fiscal year.

Money Market
(9.6% of the Fund as at December 31, 2023)

During the fiscal year, the portfolio's allocation to provincial and financial services securities fluctuated along with credit spreads, as well as with the size and frequency of cash inflows and outflows. The Fund's returns were mainly affected by interest rate fluctuations resulting from economic and market conditions during the year. The Bank of Canada hiked its key interest rate three times, from 4.25% to 5.00%, over the fiscal year.

FÉRIQUE Canadian Bond Fund
(29.9% of the Fund as at December 31, 2023)

The FÉRIQUE Canadian Bond Fund posted a net return of 6.8% for the fiscal year ended December 31, 2023. Its benchmark, the FTSE Canada Universe Bond Index, recorded a 6.7% 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 6.0% net of fees for the period.

Addenda

The portfolio manager kept the portfolio duration—a measure of sensitivity to interest rate changes—much shorter than that of the benchmark in the first half of the year. This allowed the portfolio to capitalize on both soaring interest rates and the severely inverted yield curve.

In early September, Addenda then brought the portfolio's duration to neutral relative to the benchmark when bond yields were rising.

As bond yields continued to climb beyond the portfolio manager's targets, the portfolio's duration was increased to a slight overweight in September, then later adjusted as rates fluctuated, while risk was managed in accordance with the strategy's framework. By the end of the year, the portfolio's duration was slightly below that of its 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 10% in the FTSE Canada 91-day T-Bill Index, 45% in the FTSE Canada Universe Bond Index, 15% in the Bloomberg Barclays Global Aggregate Bond Index (CA$ hedged), 20% in the S&P/TSX Composite Index and 10% in the MSCI World ex-Canada Index (CA$).

[1] Source: Median return of similar funds according to Fundata, as at December 31, 2023.

Throughout the year, the portfolio manager gradually increased the portfolio's allocation to federal government bonds, reducing their underweight relative to the benchmark. It also decreased the underweight to provincial bonds in the second half of the year. However, Addenda maintained an overweight to corporate bonds to capitalize on credit spreads, i.e., the additional yield offered to investors to hold these securities compared with government bonds, tightening considerably in the second half of the year. This overweight was increased in the fourth quarter to take advantage of tightening credit spreads and attractive investment opportunities in new issues.

Addenda strengthened the portfolio's allocations to the Energy and Industrials sectors and reduced the allocations to Financials and Communication Services. The portfolio's overweight to BBB-rated securities was increased from the previous year, while its risk profile remained conservative.

By the end of 2023, North American central banks seemed well on the way to curbing inflation through monetary tightening. In the fourth quarter, Canadian bond yields fell, echoing the broad decline seen in the U.S. market.

As central banks started to signal their intention to ease monetary policy and announce a successful soft landing of the economy, credit spreads on provincial and corporate bonds narrowed in the fourth quarter.

During the year, the portfolio manager engaged in a dialogue on environmental, social and governance (ESG) disclosure with a company held in the portfolio. Noticing that the company had increased its Scope 1 and 2 emissions from the previous year, Addenda was asking for a detailed remedial action plan.

Baker Gilmore

The last year was full of ups and downs. Central banks aggressively tightened monetary policy and rapidly raised interest rates, prompting many analysts to forecast a global recession.

Economic growth was positive, albeit subdued, in Canada and Europe, whereas it remained robust in the United States thanks to strong consumer spending and historically high federal budget deficits boosting economic activity.

The sharp decline in global inflation was the most important development of 2023. It allowed central banks to suspend their rate hikes and signal potential cuts for 2024. As a result, risk assets and sovereign bonds rallied strongly towards the end of the year.

The portfolio's additional yield relative to its benchmark and its duration, which was generally kept underweight and managed based on the portfolio's positioning, contributed most to the portfolio's relative performance. On the other hand, credit risk detracted the most.

Portfolio duration was actively managed and modified based on the strength of Canadian and global macroeconomic data and the actions and statements of global central banks. This duration was maintained 0 to 0.75 years below the benchmark. Duration was brought more closely in line with the benchmark on two separate occasions: first, in March to counter the risks posed by bank collapses, and second, at the end of the year as investors increasingly expected central banks to cut rates in 2024.

The portfolio's credit risk was also brought down to an underweight midyear. Late in the year, credit risk was shifted back to a slight overweight, mainly in liquid sectors such as provincial and bank bonds, after the U.S. Federal Reserve (Fed) announced that it would begin a policy pivot and cut interest rates by about 75 base points (bps) in 2024.

During the year, the portfolio manager sold its holdings in BCE, Algonquin Power & Utilities Corp., Inter Pipeline and Ventas Canada to take positions in Hyundai Capital Canada, RioCan Real Estate Investment Trust, Ford Auto Securitization Trust, Brookfield Infrastructure Finance and Brookfield Renewable Partners, which offered a better risk/return ratio.

Baker Gilmore also introduced a position in U.S.-dollar denominated real return bonds as the exchange rate between the Canadian and U.S. dollar was attractive and the Fed looked likely to cut rates faster than the Bank of Canada (BoC) in an election year. This holding increased the portfolio's allocation to real return bonds, since these assets are expected to outperform the broader market given that inflation is likely to stay above the BoC's 2% target.

With regard to environmental, social and governance (ESG) considerations, the portfolio has a stake in Brookfield Infrastructure Partners. This company invests in a broad range of utilities, data and transportation infrastructure projects. It operates in a sector with significant exposure to ESG risks, particularly with regard to governance issues and carbon emissions.

In terms of corporate governance, Brookfield Infrastructure Partners has put in place solid governance framework and practices to manage and monitor its operations. The company applies robust ESG policies and designates board members and senior executives to ensure oversight. From an environmental standpoint, the company takes ESG considerations into account throughout its investment process, has set CO_2 emission reduction targets and is ultimately working towards net zero by 2050.

FÉRIQUE Global Sustainable Development Bond Fund (25.2% of the Fund as at December 31, 2023)

The FÉRIQUE Global Sustainable Development Bond Fund posted a net return of 5.7% for the fiscal year ended December 31, 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 (CA$ hedged) (50%), posted a 6.1% return for the same period. Contrary to benchmark returns, which include no investment fees, returns are expressed net of management and operating expenses payable by the Fund.

On a relative basis, the Fund outperformed its industry median[1], which posted 4.7% net of fees for the period.

AlphaFixe Capital

The year 2023 was characterized by interest rates falling across the entire yield curve. Credit spreads, i.e., the additional yield offered to investors to hold provincial bonds and corporate credit compared with government bonds, narrowed across the board. This contraction was particularly pronounced in industrial sectors and in corporate bonds of all maturities. Rate cuts, coupled with tightening credit spreads, proved beneficial to the portfolio, generating fairly high positive returns.

Sector allocation contributed to portfolio performance. Overexposure to provincial and corporate bonds helped due to credit spreads narrowing. Security selection and maintaining an underweight duration—a measure of sensitivity to interest rate changes—relative to the benchmark for most of the year also paid off.

However, the portfolio's yield curve positioning was detrimental to returns. In 2023, duration was increased relative to the benchmark. Early in the year, the portfolio's yield curve positioning was characterized by significant overexposure to 5-year maturities and underexposure to 10-year maturities. By year-end, the portfolio had become overexposed to 2-year and 10-year maturities and underexposed to 5-year maturities. The allocation to provincial bonds was increased slightly, while the allocation to corporate bonds was kept unchanged.

In accordance with the Fund's objective, the portfolio manager invested 93% of the portfolio in green, social or sustainable bonds by the end of the year. Such bonds help finance projects or companies upholding sustainability principles.

With regard to environmental, social and governance (ESG) matters, AlphaFixe engaged with corporate and government bond issuers held in the portfolio. The portfolio sub-manager seeks to raise issuers' awareness of ESG considerations affecting their business and identify potential improvements they could make to that end, whether during private meetings with management or calls with other investors.

For instance, in February 2023, AlphaFixe met with the Toronto-Dominion Bank to discuss sustainable bond structures. At this meeting, the portfolio sub-manager expressed a strong preference for "green use of proceeds bonds", i.e., bonds where the issuer announces the projects it intends to finance prior to issue. It stated its position on nuclear energy and encouraged making a clear distinction between environmental and social projects, since investors' interests would be better served by having two different frameworks. The portfolio sub-manager also announced its position on nuclear power. This type of energy is a key component of Canada's power generation mix for the country to achieve its decarbonization targets. Projects involving this energy source therefore belong within a green bond investment framework.

In 2023, the portfolio participated in 15 new sustainable bond issues from 9 different issuers. Electricity transmission and distribution company Hydro One issued three sustainable bonds in January, two of which were added to the portfolio. Although not formally classified as "green" bonds, they were issued to finance almost exclusively projects that are environmentally friendly, such as building a clean power grid.

BMO Global Asset Management

Bond markets fluctuated during the year, first rallying over the U.S. regional banking crisis and strong data before bottoming in mid-March and ending the year close to their pre-banking crisis levels.

Early in the year, credit spreads narrowed, reaching levels not seen since early April 2022. Markets then began to price in higher than previously anticipated key interest rates. This, along with the collapse of Silicon Valley Bank and purchase of Credit Suisse, pushed credit spreads wider, unwinding almost all the tightening that took place since October.

However, bank regulators were quick to step in to prevent the banking sector's issues to spread. Market fears were eased, causing spreads once again began to tighten. Despite some volatility at the beginning of the second quarter, investor sentiment improved across markets as the quarter closed, with spreads tightening once again.

Moving into the third quarter, yields rose significantly as markets became increasingly concerned that a tighter-than-expected labour market might cause key interest rates to remain higher for longer despite inflation easing. Meanwhile, credit spreads edged gradually tighter, supported by muted new issuance and better-than-expected corporate results. Of the main regional markets, sterling investment-grade bonds fared best and produced positive total returns, while the narrowing spreads in euro-denominated bonds was barely enough to offset rising yields. Meanwhile, returns were negative on U.S. markets due to Treasury bond yields falling.

Early in the fourth quarter, core government bond yields began to plunge and credit spreads tightened amid a growing belief that central banks would cut interest rates sooner than previously thought. Inflation fell more than expected in the United States, euro zone and United Kingdom, and the hot U.S. labour market continued to cool.

Major central banks kept rates steady, but the European Central Bank and Bank of England maintained their hawkish rhetoric. Meanwhile, the U.S. Federal Reserve (Fed) unexpectedly shifted to a dovish stance, which drove core yields lower across the board. While the Fed acknowledged that inflation was moderating and signaled that it would cut rates by 75 basis points in 2024, investors priced in rate cuts starting in March that would amount to twice as much as the Fed's prediction. In parallel, credit spreads narrowed alongside a rally in equities, the combination of falling interest-rate expectations and forecast-beating corporate results bolstering sentiment towards risk assets.

Against this backdrop, the portfolio generated positive absolute and relative returns for the year as fixed-income securities' very strong final quarter more than offset the losses suffered midyear. Increasing the portfolio's duration when yields significantly retraced after the fallout from Silicon Valley Bank's collapse also contributed to the portfolio's outperformance over the second half of the year.

The portfolio's underweight to collateralized securities was beneficial as the asset class underperformed the wider index.

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 24 occasions, addressing topics such as companies' resilience in the face of climate challenges (with Toyota Motor Corporation and Barclays), biodiversity (with E.ON) and human rights (with Volkswagen Group and Mercedes-Benz Group).

FÉRIQUE Globally Diversified Income Fund
(5.1% of the Fund as at December 31, 2023)

The FÉRIQUE Globally Diversified Income Fund, managed by Addenda Capital Inc. (Addenda), posted a net return of 6.6% for the fiscal year ended December 31, 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 4.7% 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 7.2% net of fees for the period.

During the year the portfolio's allocations to Canadian and global bonds drove relative returns. Stock selection also had a positive impact on performance. The overweight to corporate bonds and modest allocation to high-yield bonds added value as credit spreads, which is the additional rate over government bonds offered to investors to hold these securities, tightened in the fourth quarter of 2023.

Duration positioning detracted from returns in the first three quarters of the year due to rising rates but was positive in the fourth quarter when rates fell significantly. The overweight to Canadian bonds added value but was slightly offset by the underweight to global bond, which outperformed. The allocation to global bonds was kept stable despite this good performance. The allocation to Canadian equity delivered positive absolute returns, yet still weighed on relative performance.

With regard to the equity portion of the portfolio, the underweight relative to its benchmark and poor stock selection in Financials detracted the most from performance.

The portfolio sub-manager maintained an underweight to Canadian equities through the first three quarters of the year as the asset class posted negative absolute return. The allocation was then increased to neutral in the fourth quarter when the S&P/TSX Composite Index rallied in the final months of 2023. Meanwhile, the portfolio sub-manager eliminated the allocation to preferred shares in the third quarter due to concerns about future performance.

The Province of Ontario and the portfolio sub-manager had a discussion on ESG initiatives and sustainable financing activities.

FÉRIQUE Canadian Dividend Equity Fund
(10.2% of the Fund as at December 31, 2023)

The FÉRIQUE Canadian Dividend Equity Fund posted a net return of 5.9% for the fiscal year ended December 31, 2023. Its benchmark, the S&P/TSX Composite Dividend Index, posted 9.6% 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 6.5%, net of management fees for the period.

During the year, the Fund generated moderate positive returns despite underperforming its benchmark index.

The overweight to Real Estate detracted from performance given the higher interest rate environment. Holdings in Allied Properties Real Estate Investment Trust and H&R Real Estate Investment Trust were especially negative given their exposure to offices, which saw a temporary decline in occupancy rates. An underweight to Industrials also detracted from performance as the sector posted strong returns. Yet, within the sector, WSP Global outperformed.

In Consumer Staples, Metro, Walgreens Boots Alliance, Nutrien and Pfizer underperformed and negatively impacted Fund performance.

Conversely, the underweight to Energy helped as the sector underperformed the broader benchmark index. The slight overweight to Utilities also contributed to relative performance, especially thanks to a position in Hydro One.

Strong performances by Manulife Financial Corporation, Power Corporation of Canada and Quebecor added to the returns.

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. The allocation to Consumer Staples was also slightly reduced and the positions in retailer The North West Company and dairy processor Saputo were sold off when their shares started trading near their target price. The portfolio sub-manager used the proceeds to add a position in food processor Premium Brands given its attractive valuation. Lastly, the allocation to Financials was slightly increased with the addition of positions in the banking industry when companies came under pressure.

Within the Energy sector, Enbridge was exited as the share reached its target price and proceeds were reinvested into a new position in TC Energy, given the company's attractive valuation, focus on natural gas and compelling dividend yield. The company is exposed to the energy transition through its significant natural gas infrastructure assets. Natural gas has a lower carbon footprint than other hydrocarbons such as oil and is expected to play an increasingly important role going forward. TC Energy is also involved in other green energy areas such as renewable natural gas, hydrogen and nuclear.

With regard to environmental, social and governance (ESG) considerations, the portfolio is invested in several companies that will contribute to society. In addition to TC Energy, the portfolio holds positions in Canadian Apartment Properties REIT, which offers affordable housing by leasing apartments far below market rate. Magna International designs and manufactures electric vehicle (EV) parts and, as such, contributes to boost EV adoption rates. WSP Global is an engineering firm that helps build and design aging infrastructure and energy transition projects.

Moreover, the portfolio sub-manager engaged in dialogue with companies held in the portfolio over ESG matters throughout the year. For instance, the portfolio sub-manager had a first discussion with Superior Plus with a view to improve their disclosure practices.

The portfolio sub-manager also engaged with Metro over the summer about their climate strategy and failure to set a net zero target. The company is currently assessing the feasibility and costs of achieving net zero emissions according to the SBTi standards and will provide more information in their upcoming corporate social responsibility report in 2024. The portfolio sub-manager will continue to engage with the company to follow up on their progress.

FÉRIQUE Canadian Equity Fund
(10.1% of the Fund as at December 31, 2023)

The FÉRIQUE Canadian Equity Fund posted a net return of 8.9% for the fiscal year ended December 31, 2023. Its benchmark, the S&P/TSX Composite Index, posted 11.8% 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 9.6%, net of management fees for the period.

CC&L

Heading into 2023, the portfolio sub-manager anticipated that the aggressive interest rate-hiking cycle would cause a global recession. As both the U.S. and Canadian economy proved more resilient in a high-rate environment, the portfolio's defensive positioning detracted value. Stock selection also hampered returns, especially in the Consumer Staples and Consumer Discretionary sectors.

In Financials, overweight positions in more stable property and casualty insurers and underweight positions in cyclical life insurance companies impeded performance. In Consumer Staples, an overweight to Saputo and Pet Valu Holdings detracted. However, an overweight to Information Technology helped performance.

Throughout the year, CC&L had 50 meetings with management teams to discuss environmental, social and governance (ESG) matters. Topics discussed included best practices regarding board composition, executive compensation, packaging practices, carbon governance, carbon reduction targets and other various social issues.

In spring 2023, the portfolio sub-manager exited the position in Precision Drilling Corporation, an energy services contractor, after uncovering governance issues in their executive compensation practices. The portfolio sub-manager had engaged multiple times with the company but was not satisfied that it would lower its stock-based compensation awards.

Franklin Templeton

Security selection detracted from relative returns but was partially offset by positive sector allocation.

Security selection of select holdings within Information Technology and Consumer Staples was the primary driver of underperformance. More specifically, a lack of position in outperforming Shopify and Constellation Software detracted but was partially offset by a position in Open Text. In Consumer Staples, a position in underperforming Saputo weighed on returns, but was partially offset by a position in Alimentation Couche-Tard. In Industrials, TELUS International was negative, but AtkinsRealis (formerly SNC-Lavalin Group) was rewarding. Meanwhile, a lack of positions in Quantum Minerals and Franco-Nevada helped performance in Materials.

From a sector allocation standpoint, the underweight to the underperforming Materials and Energy sectors were the main contributors to relative performance. The allocation to Information Technology also supported relative return but was offset by an overweight to Utilities and Communication Services.

The year 2023 was marked by steady and precise trading activity, as dislocations in equity markets continued to present attractive investment opportunities. As a result, the portfolio sub-manager added eight positions to the portfolio and liquidated six, in addition to rebalancing holdings by adding on weakness and trimming on strength. It introduced TMX Group and Intact Financial Corporation in Financials, Stantec in Industrials, Pembina Pipelines and Cenovus Energy in Energy, Colliers International Group in Real Estate, Canadian Utilities in Utilities and CCL Industries in Material. Conversely, Brookfield Asset Management in Financials, Kinaxis in Information Technology, Suncor Energy, TC Energy and PrairieSky Royalty in Energy and Brookfield Renewable Partners in Utilities were sold off to fund these additions.

In the later part of the year, the portfolio sub-manager continued to bolster portfolio holdings in defensive and non-cyclical Consumer Staples and Utilities. While the portfolio typically follows a low turnover strategy, the portfolio sub-manager will remain decisive when warranted and take advantage of further opportunities as they arise.

The portfolio is most exposed to Financials, Industrials, Energy and Consumer Staples. Relative to the benchmark, it is most overweight to defensive and non-cyclical sectors such as Consumer Staples, Utilities and Industrials. Conversely, the portfolio is most underweight to typically value and cyclical sectors such as Financials, Energy and Materials.

When engaging with companies held in the portfolio regarding environmental, social and governance (ESG) issues, the portfolio sub-manager either enters into a purposeful dialogue to influence positive change, with defined objectives or to seek information, monitor the situation, build relationships and better understand the company's strategy and practices.

In the last year, the portfolio sub-manager engaged with most companies held in the portfolio and discussed topics that included operational performance (Parkland Corporation and ATCO), carbon risk and climate disclosures (Royal Bank of Canada, Headwater Exploration and Fortis), environmental considerations and pollution (Waste Connections, AtkinsReali and Brookfield Renewable Partners), mergers and acquisitions risks and considerations (Royal Bank of Canada, Open Text and Canadian National Railway Company), supply chain concerns (Boyd Group Services and Dollarama), executive remuneration and including succession planning (Open Text and Agnico Eagle Mines), human and social capital, including diversity (Canadian National Railway Company, Boyd Group Services and FirstService).

FÉRIQUE World Dividend Equity Fund
(9.9% of the Fund as at December 31, 2023)

The FÉRIQUE World Dividend Equity Fund posted a net return of 10.8% for the fiscal year ended December 31, 2023. Its benchmark, the MSCI All Country World ex-Canada Index (CA$), posted 21.3% 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 14.3%, net of management fees for the period.

Stock selection was the primary driver of relative underperformance. Weak selection in Information Technology, Industrials and Consumer Discretionary detracted the most, but was partially offset by positive selection in Energy and Materials. Because of the portfolio sub-manager's bottom-up selection process, sector allocation also dragged down returns due to an underweight to Information Technology and overweight to Utilities and Financials. This positioning was partially offset by the underweight to the Consumer Staples and Real Estate sectors. Regionally, stock selection in North America, Europe and Asia also hampered relative performance. At the stock level, the lack of holdings in NVIDIA and Apple (Information Technology) detracted the most from relative performance, while an overweight to Intel Corporation, in Information Technology, and an off-benchmark position in AUTOLIV, in Consumer Discretionary contributed the most.

During the period, Wellington initiated a position in Unilever, a British household and personal care multinational. This strong global company is streamlining its operations to capitalize on scale. The portfolio sub-manager believes the company's growth will accelerate over the next several years through an increased exposure to emerging markets. Unilever's dividend yield and resilience are also attractive.

The portfolio sub-manager also added a position in Pfizer, an American multinational pharmaceutical and biotechnology corporation. The stock lagged its industry due to a decline in revenues caused by slowing demand for its COVID-19 vaccine products. However, the company's underlying business remains strong, with a robust balance sheet supported by diverse sources of cashflow generation and attractive and sustainable dividends.

While Pfizer might face investor skepticism over blockbuster drugs that will define its growth for the next decade, the portfolio sub-manager believes that the company can count on a promising drug development pipeline and effective business development.

Meanwhile, the position in TJX Companies, a multinational department store corporation, was trimmed on strength, but kept in the portfolio. The portfolio sub-manager believes the company is uniquely positioned within the shrinking and over-stored traditional retail segment due to their innovative merchandizing culture. The position in Comcast, an American multinational telecommunications and media conglomerate, was also liquidated during the year.

The portfolio sub-manager engaged with some companies held in the portfolio over environmental, social and governance (ESG) matters throughout the year. For instance, in October, Wellington met with Duke for an update on their transition plan. Overall, Duke continues to be an emissions reduction leader within the industry, having cut emissions from electricity generation by 44% since 2005. The company is still evaluating the feasibility of committing to setting Science-based Targets (SBTs), as the Science-Based Targets initiative (SBTi) does not consider the cost associated with transitioning. The portfolio sub-manager believes that setting SBTs is an important step towards net-zero emissions but is encouraged by the steps the company has taken so far.

Recent Developments

FÉRIQUE Canadian Bond Fund
(29.9% of the Fund as at December 31, 2023)

Addenda

Central banks' monetary tightening efforts are paying off, with inflation moderating worldwide. However, it remains above target in North America. In the United States, the portfolio manager expects inflation to reach the Fed's target thanks to productivity gains, which could drive the central bank to ease monetary policy sometime in 2024.

In Canada, the prospect of falling inflation is challenged by lower productivity and higher wages. The portfolio manager could capitalize on market reactions to diverging economic scenarios in Canada and the United States, particularly in the short-term portion of the curve (which is affected by monetary policy). Longer-term interest rates are less sensitive to monetary policy and will reflect the progress expected to be made in the fight against inflation, rather than short-term forecasts. After two years of bond market investors anxiously hoping for monetary policy to ease, it looks as though the long-awaited rate cuts will become a reality in 2024. Against this backdrop, Addenda will manage the portfolio to take advantage of opportunities as they arise in the market.

Baker Gilmore

Much remains unclear as to how this unprecedented economic cycle will unfold, with the global economy still adjusting to the aftermath of the pandemic, geopolitical tensions and conflicts rising sharply, central banks aggressively tightening monetary policy to curb high inflation and governments implementing expansionary fiscal policies. Although there were growing signs that the global economy was slowing down, residual consumer demand, pent-up as a result of the COVID-19 pandemic shutdowns, continued to drive global economic growth.

Household spending points to relatively robust—albeit slowing—economic activity growth over the next few quarters. However, excess savings, which had been bolstered by massive government transfers, are currently fuelling consumption, but are dwindling and will eventually run out, partly as a result of rising interest rates.

Unlike what is typically encountered at this stage of a tightening cycle, the labour market is still tight and strike activity is on the rise, disrupting the economy and helping workers achieve significant wage gains that are well beyond central bank inflation targets. These pay hikes increase the likelihood of sustained high inflation in the years ahead, as most developed economies are experiencing structurally low levels of productivity. While the economy as a whole fared better than markets had forecast and a recession was averted, some sectors, such as office real estate, were nonetheless lastingly affected by the economic conditions.

Inflation cooled considerably in 2023, allowing central banks to suspend their interest rate hikes and signal potential cuts in 2024. Intensifying geopolitical conflicts also fuelled defence spending in many advanced and developing economies. Large-scale industrial policies have also made a comeback, with some governments offering massive and costly subsidies to attract investment in critical industries and promote the decarbonization and electrification of the economy.

Against this backdrop, both public deficits and government bond issues are likely to remain high in the years ahead, as most governments seem unconcerned about increasing already high debt levels amid rising interest rates and financing costs.

Markets are expecting that the aggressive monetary policy tightening undertaken over the past year will trigger a recession in the coming quarters. As a result, yield curves are sharply inverted, as bond markets expect the BoC and Fed to cut interest rates in early 2024.

Although central banks have signalled their intention to lower rates within the next 12 months despite an inflation rate persistently above target and high government deficits, they are unlikely to meet market expectations. What's more, the expected high volume of government bond issues is bound to push bond yields up in the medium and long term.

As a result, the portfolio sub-manager will keep the portfolio duration shorter than the benchmark and underweight primarily medium- and long-term bonds. With regard to sector allocation, the portfolio is overweight to federal and provincial bonds. The portfolio is underweight to corporate bonds, especially in the Utilities and Industrials sectors, but overweight to the Financials sector and 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.

FÉRIQUE Global Sustainable Development Bond Fund (25.2% of the Fund as at December 31, 2023)

AlphaFixe Capital

The Canadian economy expanded at a sluggish pace starting in March 2023, weakened by monetary tightening and an ongoing wave of mortgage renewals. Falling purchasing power due to inflation and ballooning mortgage payments for some homeowners are eroding discretionary consumer spending, which has resulted in a recent slowdown in economic activity.

Technically, the Canadian economy has not yet contracted for two consecutive quarters. However, GDP per capita has shrunk by 2.3% since June 2022, meaning that the economy is not strong enough to accommodate the current number of new people coming into the country. Given the prospect of a recession, the portfolio sub-manager believes that the Bank of Canada (BoC) needs to ease monetary policy to support the economy.

The amount of easing required will be contingent on economic conditions in the United States. The U.S. economy is more resilient than had been anticipated, yet investors' expectations that the Fed would cut its policy rate appear premature. If the Fed leaves its policy rate unchanged, the BoC will face an uphill battle. If the BoC were to cut its key interest rate more aggressively than its U.S. counterpart, this would adversely affect the Canadian dollar and inflation, which is still running above target.

Given the two countries' distinct economic circumstances, the portfolio's strategic positioning is proving challenging. A shift in Canadian monetary policy should bring short-term bond yields down in Canada. However, the impact of such pivot on long-term bond yields is harder to predict and will hinge on developments in the U.S. economy.

Given the uncertainty surrounding changes in interest rates, the portfolio sub-manager believes that the portfolio will not benefit from a duration-driven investment strategy so long as the U.S. economy remains strong. Instead, it will position the portfolio to take advantage of a steepening yield curve. The portfolio sub-manager will also maintain an allocation to corporate credit that is expected to contribute to performance, but will trim it should it become more firmly convinced that a recession is on the horizon in North America while credit spreads remain narrow. Moreover, the portfolio sub-manager may swap cyclical corporate bonds for safer options.

BMO Global Asset Management

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. 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 central banks tightening their monetary policies.

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.

The outlook for global corporate bonds appears fairly balanced. Restrictive monetary policy — both actual and expected — was the chief impediment to credit spreads tightening. This headwind appears to be easing given the Fed's dovish pivot. If the U.S. economy does manage to achieve a "soft landing," as is forecasted by the Fed, economic conditions would benefit credit spreads. With regard to corporate bonds, the portfolio sub-manager expects credit quality to remain strong. However, global credit spreads ended the year below their five-year and 20-year averages, causing valuations to become significantly less attractive.

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 (5.1% of the Fund as at December 31, 2023)

Government bonds are expected to trade in a tight range in the first quarter of 2024 as markets react to a resilient economy and moderating inflation.

Economic growth will slow while remaining positive in 2024, with a labour market at full employment supporting domestic demand. In Canada, strong population growth and investment income are driving consumer spending. Unemployment is staying close to cyclical low levels as the labour market is still rebalancing and unit labour costs are falling.

Against a backdrop of slowing economic growth and moderating inflation, central banks will now manage their monetary policy with the aim of driving economic growth. The U.S. Federal Reserve (Fed) indicated it might start cutting interest rates in the first half of 2024. Meanwhile, the Bank of Canada (BoC) might need to maintain its quantitative tightening policy and will likely keep interest rates high for most of the year.

The portfolio sub-manager expects the yield curve to start steepening as short-term government bond investors will price in potential rate cuts. Central banks are also predicted to continue to shrink their balance sheet, reducing liquidity and support for risk assets on markets, without providing any additional fiscal stimulus. Productivity gains in the United States put downward pressure on inflation, as unit labour costs—the average cost of labour per unit of output produced—grew by almost 2%. Productivity gains were more significant in the United States than Canada, which may cause discrepancies between the countries in the short term.

For 2024, the uncertainty related to potential monetary policy changes by central banks, geopolitical risks and the U.S. election may contribute to market volatility. The Fed waiting too long to ease its monetary policy and keeping rates too high in a non-inflationary growth environment might negatively affect economic growth. Conversely, the BoC easing its policy too soon while still facing inflationary growth due to a tight labour market would keep inflation high.

Global growth remains uneven across countries and weighed on commodity prices, which resulted in lower inflation rates worldwide. As a consequence, many major central banks were able to keep their key interest rates unchanged in the second half of 2023.

Looking forward, the portfolio sub-manager will hold a modest cash allocation and look for a tactical opportunity to redeploy it by adding positions in global fixed income securities or equities if the market corrects. The portfolio sub-manager will maintain a slight overweight to corporate bonds, especially those with strong fundamentals and shorter maturities, but will look to add duration risk opportunistically as rates increase. It will also maintain a modest allocation to high-yield bonds to capture additional yield. In global bonds, an allocation to global corporate bonds helps diversify the portfolio and will support returns.

While Canadian corporate bonds are currently offering better value, the portfolio sub-manager is looking to add to the portfolio's global bond allocation as global credit spreads are widening relative to those in Canada. As for equities, Canadian equities are expected to outperform bonds in 2024. As a result, the portfolio sub-manager will likely shift the allocation from an underweight to an overweight early in the year. Due to the current market uncertainty, the equity portion of the portfolio is mainly invested in defensive stocks trading at attractive discounts relative to their intrinsic value.

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

FÉRIQUE Canadian Dividend Equity Fund (10.2% of the Fund as at December 31, 2023)

Markets were very volatile during the year, especially early on, due to concerns over to financial instability and liquidity issues as a result of central banks' significant rate hikes over the past year and problems emerging at specific banks. As time went by, inflation gradually moderated, thanks in part to central banks tightening their monetary policies and commodity markets pulling back.

In the fourth quarter, the market shifted its focus toward lower interest rates as inflation continued to ease and near normalized levels. While the labour market is still quite robust, job growth has slowed down. The U.S. Federal Reserve and Bank of Canada kept their interest rates unchanged at their recent policy meetings. However, both central banks hinted that they would consider cutting rates if necessary.

The portfolio sub-manager remains concerned about the economic outlook given the heightened focus on interest rates, ongoing conflicts in Europe and the Middle East, geopolitical instability and China's resolve to grow its economy. Artificial intelligence also emerged as a catalyst for a number of Information Technology companies, which drove the sector sharply up. However, the portfolio sub-manager expects that the current macroeconomic environment will cause market to stay volatile in 2024.

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 (10.1% of the Fund as at December 31, 2023)

CC&L

Heading into 2023, the portfolio sub-manager anticipated that the historically aggressive interest rate-hiking cycle would cause a global recession. However, the U.S. and Canadian economy proved more resilient in a high-rate environment, posting a 2.5% and 1.2% gain respectively over the year. The expected scenario did not play out, because the positive impacts of fiscal stimulus, excess consumer savings and a robust labour market on the economy were underestimated.

The Federal Open Market Committee's December meeting greatly affected the outlook for 2024. At the meeting, the U.S. Federal Reserve (Fed) Chair unexpectedly signalled that the central bank would pivot its monetary policy, arguing that loosening financial conditions would not fuel back inflation. In a meaningful reversal from earlier in the year, the Chair also announced that the Fed would take a more accommodative stance with regard to interest rates, which will improve market conditions.

Against this backdrop, the portfolio sub-manager predicts that economic growth will slow in 2024 relative to 2023, but that a global recession will be avoided. The Fed will most likely achieve a "soft landing" of the economy and start cutting interest rates before unemployment spikes. However, macroeconomic conditions remain fairly uncertain and the expected scenario may not materialize.

While the portfolio sub-manager has a bullish outlook on the economy, it believes that the U.S. equity market is now priced for perfection, which means that it will suffer downside pressure if the predicted "soft landing" is not achieved in 2024.

Inflation starting to drift higher or economic growth slowing more than anticipated could trigger heightened equity market volatility. Canadian equities' valuation multiple appears reasonably priced. CC&L expects corporate earnings to increase both in Canada and the United States, but by less than what many investors are currently projecting. Since multiple expansion will likely be limited, corporate earnings growth should propel equity markets to a 5 to 10% gain 2024.

CC&L believes that savvy stock selection will be key for the portfolio, since the nominal GDP (which is real GDP plus inflation) growth will significantly slow down due to inflation moderating and economic growth softening. This will create a revenue headwind for many companies. Against this backdrop, the portfolio sub-manager increased the portfolio allocation to quality companies able to succeed in this challenging environment and drive incremental earnings growth through recession-proof business operations, secular opportunities, accretive acquisitions, operational efficiencies and share buybacks in late 2023. Meanwhile, it reduced the allocation to defensive holdings.

Franklin Templeton

Despite the fastest and largest rate-hiking cycle in decades undertaken by central banks in 2022 and 2023, a regional banking crisis in the spring, and rising geopolitical risks, North American equity markets defied expectations and rebounded nicely in 2023.

Recent optimism has been fuelled by expectations of meaningful rate cuts in 2024 that could help orchestrate a "soft landing" of the economy. However, the outlook for 2024 remains unclear due to residual inflationary pressures, wars in Europe and the Middle

East and uncertainty over China's recovery. Earnings growth is expected to reach 7% in 2024 and 10% in 2025 for constituents of the S&P/TSX Composite Index. As the economy is slowing down, these earnings forecasts might not be easily attainable.

While better-than-anticipated GDP growth is making a "soft landing" of the economy, the most likely scenario in the United States, the Canadian economy is in a meaningfully weaker position. In fact, the Canadian GDP contracted in the third quarter of 2023. Franklin Templeton continues to believe that a "hard landing" scenario should not be discounted yet, given the amount of monetary tightening over the past year and a half, a stance yet to be regarded as a possibility by Canadian equity markets.

It is worth remembering that changes to monetary policy have a lagging impact on the broader economy. In the current cycle, the effects could be even slower to come due to the unique nature of the COVID-19 pandemic, during which generous government spending enabled consumers to save more while spending less due to pandemic restrictions, building up large cash balances just now being depleted. Fiscal deficit spending has continued, partially neutralizing the effect of higher rates, but the effects of monetary tightening will ultimately prevail.

Higher interest rates created a detrimental environment for equity financing and, as a result, total funding obtained by S&P/TSX Composite Index constituents declined significantly in 2022 and 2023, down to by half from their 10-year average. In a less liquid environment, only the strongest companies will maintain access to equity capital markets. In 2023, some of these companies were held in the portfolio.

Equity investors are discounting a seemingly ideal scenario characterized by rate cuts, continued economic growth and robust corporate earnings that leaves little room for error. In contrast, the portfolio sub-manager maintains a relatively more defensive positioning than is typical, with an underweight to cyclical sectors and overweight to defensive sectors.

FÉRIQUE World Dividend Equity Fund
(9.9% of the Fund as at December 31, 2023)

The 2023 year was, once again, characterized by significant shifts in market expectations. Growth stock valuations soared as a result of moderating inflation, bank failures, speculative fervour over artificial intelligence (AI) and growing expectations of interest-rate cuts. As the year went on, global equity markets broadened, but lower-quality cyclicals drove an end-of-year rally. The prospect of a lower rate environment in 2024 provided an additional tailwind for interest rate sensitive sectors such as Real Estate and Information Technology. While the portfolio sub-manager believes the U.S. Federal Reserve's rate hike cycle to be over, it does not expect that the central bank will cut rates as much as markets are anticipating in 2024. Despite easing inflationary pressures, persistent labour market tightness and wage growth seem inconsistent with inflation continuing to moderate. Consequently, the portfolio sub-manager is not ruling out that inflation might pick up again in the second half of the year.

That being said, the current market environment presents great opportunities for long-term stock picking following the portfolio sub-manager's philosophy and process. While still maintaining a defensive portfolio, Wellington is opportunistically seeking to buy on weakness. It will continue to look for opportunities in cyclical sectors such as Financials, Utilities, Health Care and Industrials.

The portfolio is most overweight to Financials because stocks in the sector are attractive because of their dividend yields, discounted valuations and depressed levels of return. They also stand to benefit from normalizing rates, end of quantitative easing and shareholder focused capital allocation. The portfolio is overweight to Utilities due to attractively valued companies and accelerating energy transition caused by the decoupling of global economy and trade. During the year, the portfolio sub-manager increased the allocation to the Health Care sector as new blockbuster obesity drugs provided opportunities to invest in high-quality pharmaceuticals franchises trading at a relative discount. As a result, the portfolio sub-manager initiated a position in Pfizer and added to existing holdings in Gilead Sciences and AstraZeneca while trimming exposure to Eli Lilly on strength.

Conversely, the portfolio is most underweight to Information Technology and Consumer Discretionary. Mega-cap technology-related companies are the largest beneficiaries of the AI boom, as evidenced by their significant valuation multiple expansion. The portfolio sub-manager believes that sustaining current levels of technology spending on AI as the market anticipates would require new applications to emerge, creating value across multiple segments of the economy beyond technology through efficiencies and new sources of growth. The portfolio sub-manager continues to believe that price discovery adjusting to the higher interest rate environment will cause market unrest and prove to be a challenge for sustaining high valuations, especially for mega cap technology companies. Relative valuations remain compelling despite questions floating around whether the current economic decoupling will carry on, the pace of China's post-pandemic recovery and long-term economic growth despite challenges in the real estate sector, as well as the future of the Bank of Japan's yield control policy. Overall, the portfolio sub-manager continues to find attractive investment opportunities in resilient dividend-paying companies with valuations at a discount for transitory reasons.

Against the current backdrop, the portfolio remains most overweight to Financials, Utilities and Health Care, but most underweight to Information Technology, Consumer Discretionary and Communication Services.

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

Mr. Francis Fortin joined FÉRIQUE Fund Management as Vice-President, Investment Management, on September 11, 2023.

Related Party Transactions

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

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

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

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 fiscal year ended December 31, 2023, Baker Gilmore did not enter into any Related Party Transactions as it pertains to the management of the monetary market portion of the FÉRIQUE Moderate Portfolio.

For the fiscal year ended December 31, 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 fiscal year ended December 31, 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 fiscal year ended December 31, 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 fiscal year ended December 31, 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 fiscal year ended December 31, 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 fiscal year ended December 31, 2023, Wellington did not enter into any Related Party Transactions as it pertains to the management of the FÉRIQUE World Dividend 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.

	Years ended				
Net Assets per Unit (1) (5)	**Dec. 31 2023 (12 months)**	Dec. 31 2022 (12 months)	Dec. 31 2021 (12 months)	Dec. 31 2020 (12 months)	Dec. 31 2019 (12 months)
	$	$	$	$	$
Net assets, beginning of accounting period (4)	**12.46**	13.84	13.28	12.85	11.97
Increase (decrease) from operations					
Total revenues	**0.30**	0.29	0.19	0.23	0.25
Total expenses	**(0.01)**	(0.01)	(0.01)	(0.01)	(0.01)
Realized gains (losses)	**0.22**	0.20	0.34	0.13	0.04
Unrealized gains (losses)	**0.34**	(1.40)	0.28	0.29	0.80
Total increase (decrease) from operations (2)	**0.85**	(0.92)	0.80	0.64	1.08
Distributions					
From investment net income (excluding dividends)	**0.22**	0.19	0.11	0.13	0.15
From dividends	**0.08**	0.08	0.06	0.09	0.09
From capital gains	**0.22**	0.19	0.07	–	–
Total annual distributions (3)	**0.52**	0.46	0.24	0.22	0.24
Net assets, end of accounting period (4)	**12.77**	12.46	13.84	13.28	12.85

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

(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.

Financial Highlights (continued)

Ratios and Supplemental Data	Years ended Dec. 31 2023 (12 months)	Dec. 31 2022 (12 months)	Dec. 31 2021 (12 months)	Dec. 31 2020 (12 months)	Dec. 31 2019 (12 months)
Net asset value (in thousands of $)(1)	**209,675**	195,721	210,616	187,795	166,274
Number of units outstanding(1)	**16,413,834**	15,714,079	15,221,884	14,141,726	12,938,093
Management expense ratio (%)(2)	**0.89**	0.87	0.93	0.91	0.91
Management expense ratio before waivers or absorptions by the Manager (%)	**0.89**	0.87	0.93	0.91	0.91
Portfolio turnover rate (%)(3)	**n/a**	n/a	n/a	n/a	n/a
Trading expense ratio (%)(4)	**0.01**	0.01	0.01	0.02	0.02
Net asset value per unit ($)	**12.77**	12.46	13.84	13.28	12.85

(1) This information is provided as at December 31 for the comparative accounting periods.

(2) Management expense ratio is based on total expenses for the stated accounting period (including applicable taxes and its proportionate share of the expenses from the underlying funds, where applicable, but 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, including its proportionate share of the trading expenses from the underlying funds, where applicable, expressed as an annualized percentage of the daily average net asset value during the accounting period. The trading expense ratio is not applicable to fixed-income transactions.

Management Fees

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

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

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

For the year, annualized management fees charged to the Fund before government taxes amounted to 0.77% and are detailed as follows:

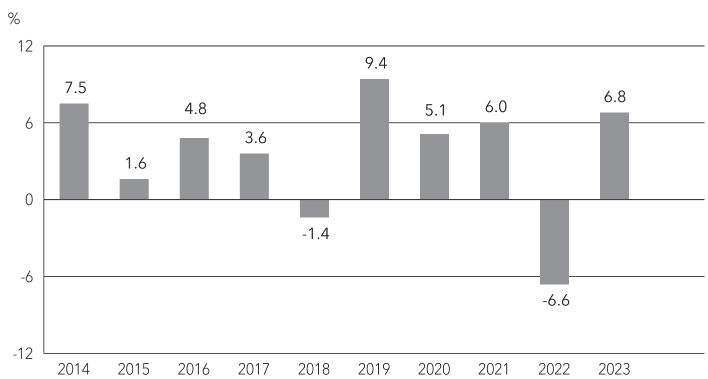
- Management fees: 0.67%
- Administration fees: 0.10%

Past Performance

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

Annual Returns

The bar chart shows the Fund's annual performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by December 31 of each financial year or on the last day of the year.



Annual Compound Returns (%)

	1 year	3 years	5 years	10 years
FÉRIQUE Moderate	6.8	1.9	4.0	3.6
Benchmark Index	8.6	1.3	4.5	4.3
Previous Benchmark Index	8.6	1.8	4.7	4.4
Median*	6.8	0.0	2.9	2.9

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

The Fund's benchmark index was modified to simplify its presentation while still reflecting the fund's asset allocation.

New Benchmark Index

The benchmark index reflects the performance of a benchmark portfolio invested 10% in the FTSE Canada 91-day T-Bill Index, 45% in the FTSE Canada Universe Bond Index, 15% in the Bloomberg Barclays Global Aggregate Bond Index (CA$ hedged), 20% in the S&P/TSX Composite Index and 10% in the MSCI World ex-Canada Index (CA$).

The **FTSE Canada 91 Day T-Bill Index** closely mirrors the return of Government of Canada 3 month Treasury bills.

The **FTSE Canada Universe Bond Index** includes nearly all marketable Canadian bonds, with terms to maturity of over one year. Its objective is to reflect the evolution of the Canadian bond market.

The **Bloomberg Barclays Global Aggregate Bond Index** (CA$ hedged) measures global investment-grade debt from a multitude of issuers in different countries.

The **S&P/TSX Composite Index** is the benchmark index used for the entire Canadian mid- and large-cap securities market. This index is the most diversified in Canada, representing close to 90% of market capitalization of all Canadian corporations listed on the Toronto Stock Exchange.

The **MSCI World ex-Canada Index** (CA$) measures the total return of equity securities of developed markets.

Previous Benchmark Index

The previous Benchmark Index reflected the performance of a benchmark portfolio invested 10% in the FTSE Canada 91 Day T-Bill Index, 50% in the FTSE Canada Universe Bond Index, 3% in the FTSE Canada Universe Short Term Bond Index, 6% in the Bloomberg Barclays Global Aggregate Bond Index (CA$ hedged), 1% in the Dow Jones Canada Select Dividend TR Index, 10% in the S&P/TSX Composite Dividend Index, 10% in the S&P/TSX Composite Index, and 10% in the MSCI World ex-Canada Index (CA$).

Comparison with the Index

The Fund posted a net return of 6.8% for the year ended December 31, 2023. Its benchmark index posted an 8.6% return for the same period. Contrary to benchmark returns, which include no investment fees, Fund returns are expressed net of management and administration fees payable by the Fund.

Portfolio Overview

The Top Holdings in the Portfolio	% of net asset value
FÉRIQUE Canadian Bond Fund	29.9
FÉRIQUE Global Sustainable Development Bond Fund	25.2
FÉRIQUE Canadian Dividend Equity Fund	10.2
FÉRIQUE Canadian Equity Fund	10.1
FÉRIQUE World Dividend Equity Fund	9.9
Cash, Money Market and Other Net Assets	9.6
FÉRIQUE Globally Diversified Income Fund	5.1
	100.0

Asset Mix	% of net asset value
Canadian Equity	19.6
Canadian Corporate Bonds	17.6
Foreign Bonds	14.7
Canadian Provincial Bonds	11.9
Canadian Federal Bonds	11.4
Cash, Money Market and Other Net Assets	11.3
U.S. Equity	5.8
Foreign Equity	4.8
Canadian Municipal Bonds	2.3
Canadian Asset- and Mortgage-Backed Securities	0.6
Net Asset Value	**209,674,949**

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 sedarplus.ca.

Other Material Information

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FÉRIQUE
MUTUAL FUNDS

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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 sedarplus.ca.