

Portfolio Management Team: Marc Lecavalier, Jean-Sébastien Hay and an analyst

STRATEGY OVERVIEW

This strategy employs a fundamental bottom-up investment approach to constructing portfolios which focuses on identifying the leaders of tomorrow and long-term strategic investment themes or trends that are expected to exert a positive influence on small-cap equity securities. Small Cap companies demonstrating balance sheet strength and offering growth opportunities available at a reasonable price are selected across all sectors to diversify our sources of added value while paying special attention to the preservation of capital. This approach aims to generate consistent added value at a risk that is below that of the market.

QUARTERLY COMMENTARY

Stock markets continued their ascent during the third quarter. Growth was nonetheless more uniform than in the spring, with most sectors reporting increases. Several factors supported Canadian small cap equities. First and foremost, the quarterly financial results published in July and August largely surpassed expectations. In fact, businesses generally demonstrated excellent control over spending, which boosted their profit margins. Moreover, they continued to benefit from the measures introduced by governments and central banks. Finally, investors are convinced that the collateral damage from the effects of the second wave of COVID-19 will be far less significant due to more targeted lockdowns. The quality of our stock selection generated quarterly returns that significantly outperformed our benchmark index.

Cash injections onto the markets by central banks prompted numerous companies to issue shares or initial public offerings (IPO). Accordingly, investors were able to confirm their interest in companies with business models adapted to the post-COVID reality.

The stocks we added to the portfolio over the quarter reflect the acceleration of sustainable changes in consumer habits. Accordingly, we acquired a position under the Dye & Durham IPO. This company operates a public archive electronic access platform for notaries and lawyers. We also added Repay Holdings, which offers an electronic payment service for consumer loans. This tool's flexibility is perfectly adapted to the U.S. market. Sangoma Technologies, which developed a unified communication platform adapted to home workers, was also brought on board. Finally, we acquired a position in Savaria, a prominent home elevator and lift provider. There is no doubt that enabling seniors to live at home and bigenerational home construction are trends that will benefit the company.

We divested from B2Gold, whose capitalization is now too high for our portfolio. We replaced it with Wesdome Mines, which operates mines in Quebec and Ontario. We offloaded Intertape Polymer and Minto Apartment REIT to make way for stocks with better growth potential.

Due to the rapid economic recovery post-lockdown, we believe growth is now poised to slow down, and that it could take several quarters to return to normal. Thanks to their strong balance sheets, the stocks in our portfolio are prepared to weather this turbulence and continue to strengthen through acquisitions. They are innovative and adaptable. Finally, we believe government and central bank initiatives will continue to support economic and stock market growth.