

# Encasa Canadian Equity Fund Unitholder Information Session

June 18, 2020

# Presenters



**Derek Ballantyne**

Chief Executive Officer, Encasa  
Financial



**Audrey Robinson**

Portfolio Manager, Encasa  
Financial



**Wayne Wachell, MBA, CFA**

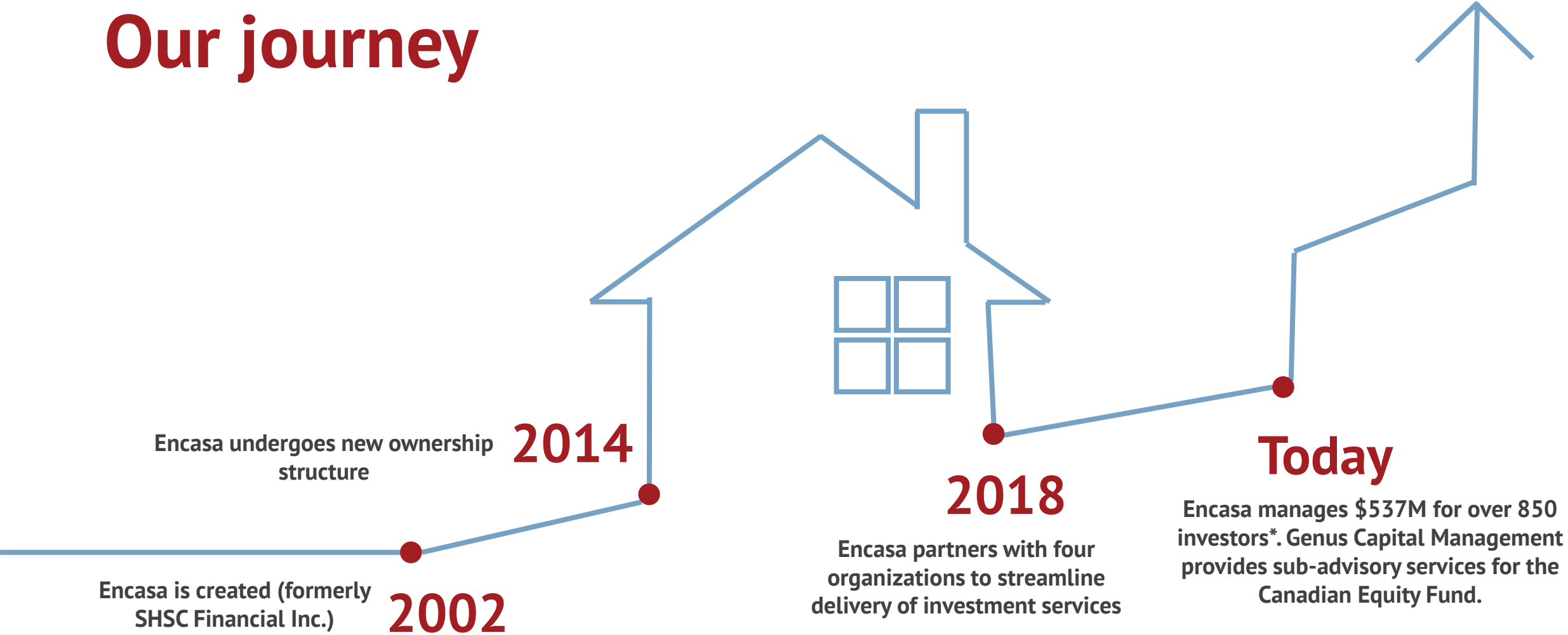
CEO & Chief Investment Officer,  
Genus Capital Management



**Mike Thiessen, MBA, CFA**

Partner & Director, Sustainable  
Investments, Genus Capital  
Management

# Our journey



# Proposed Change to Investment Objective

# What is the proposed change?

## **Proposed investment objective**

The investment objective of the Fund is to seek long-term capital growth by investing in a diversified portfolio consisting of equity securities of companies primarily located outside of Canada.

## **Current investment objective (in place since 2002)**

The investment objective of the Fund is to seek long-term capital growth by investing primarily in a diversified portfolio consisting of equity securities of companies located in Canada.

- **Encasa Canadian Equity Fund**

# Why are we proposing this change?

## **Update investment objective to current practices in Canadian investment industry**

- The current investment objective was created in 2002 at Fund inception
- Canadian economy and equity market has changed since then
- Industry practices have shifted over last 18 years

## **Prudent sector and security diversification**

- Canadian index has become increasingly concentrated since 2002
- Today, the TSX is highly concentrated in three sectors
  - Financial, Energy and Materials account for ~65% of the index
  - Challenging to build a prudently diversified portfolio with this degree of concentration

## **Prudent geographic diversification**

- Canada is only 3% of the global stock market
- The opportunity set of securities that allows the Fund to prudently implement its mandate is substantially greater outside Canada

# Why are we proposing this change? (cont'd)

## Improved ability to implement Encasa's Responsible Investment Policy

Opportunity set of “good” companies with strong ESG metrics significantly greater outside than inside Canada

- E = Environmental – climate change, renewable energy, sustainability
- S = Social – affordable housing, diversity, positive social outcomes
- G = Governance – committed to stakeholder as well as shareholder

## Neutral impact on characteristics of the Fund

- The risk rating for the Fund will remain unchanged at **medium**

# Current allocations in Canada

## **Ontario Municipal Employees Retirement System (OMERS)**

- 35% Canada, 65% Global<sup>1</sup>

## **Canada Pension Plan Investment Board**

- 15% Canada, 85% Global<sup>1</sup>

## **Ontario Teachers' Pension Plan**

- 42% Canada, 58% Global<sup>2</sup>

## **PHN Investment Management – Balanced Pension Trust**

- 33% Canada, 68% Global

## **Mawer Investment Management – Balanced Mutual Fund**

- 25% Canada, 75% Global

1. As of March 31, 2020

2. As of December 31, 2019



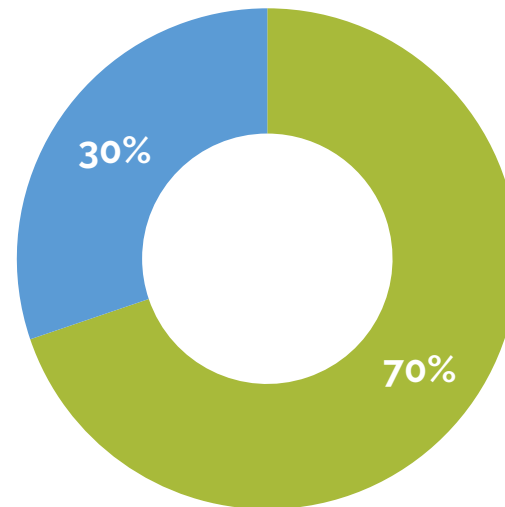
# Genus Capital Management

# INTRODUCING GENUS

- Independent firm with 31 years of investment experience
- Offer sustainable solutions to meet changing client needs
- Focused on consistent returns through systematic risk management

## FOUNDATION AND INSTITUTIONAL ASSETS

\$ 456 M



## WEALTH MANAGEMENT

\$ 1.05 B

Assets Under Management \$1.51 Billion as at April 30<sup>th</sup>, 2020

# OUR INVESTMENT PHILOSOPHY



## SYSTEMATIC

Quantitative, systematic approach enables execution of historically sound strategies



## HOLISTIC APPROACH

For more consistent results, we structure portfolios using **top down** and **bottom up** approach



## RISK-CONTROLLED

We follow a stringent institutional approach to help control risk at multiple levels of our process



## SPECIALIZATION

Clients benefit most from solutions that combine the expertise of focused teams



## SUSTAINABLE

We believe environmental, social and governance factors are financially material, we systematically incorporate these factors into our investment process

# GENUS MULTI-STYLE STOCK SELECTION DISCIPLINE

## EVALUATION OF 2000 OF THE LARGEST GLOBAL STOCKS

### CRITERIA

### SELECTION



**Value** Superior dividends, cash-flows and earnings growth

**Growth** Increasing cash-flows, earnings and dividends

**Expectation** Analyst forecasts for earnings and cash-flow

**Momentum** Rising share price characteristics

**Quality** Better interest coverage and improving profit margins

**Sustainability** Superior Environmental, Social & Governance Attributes

BUY HIGH RANKING

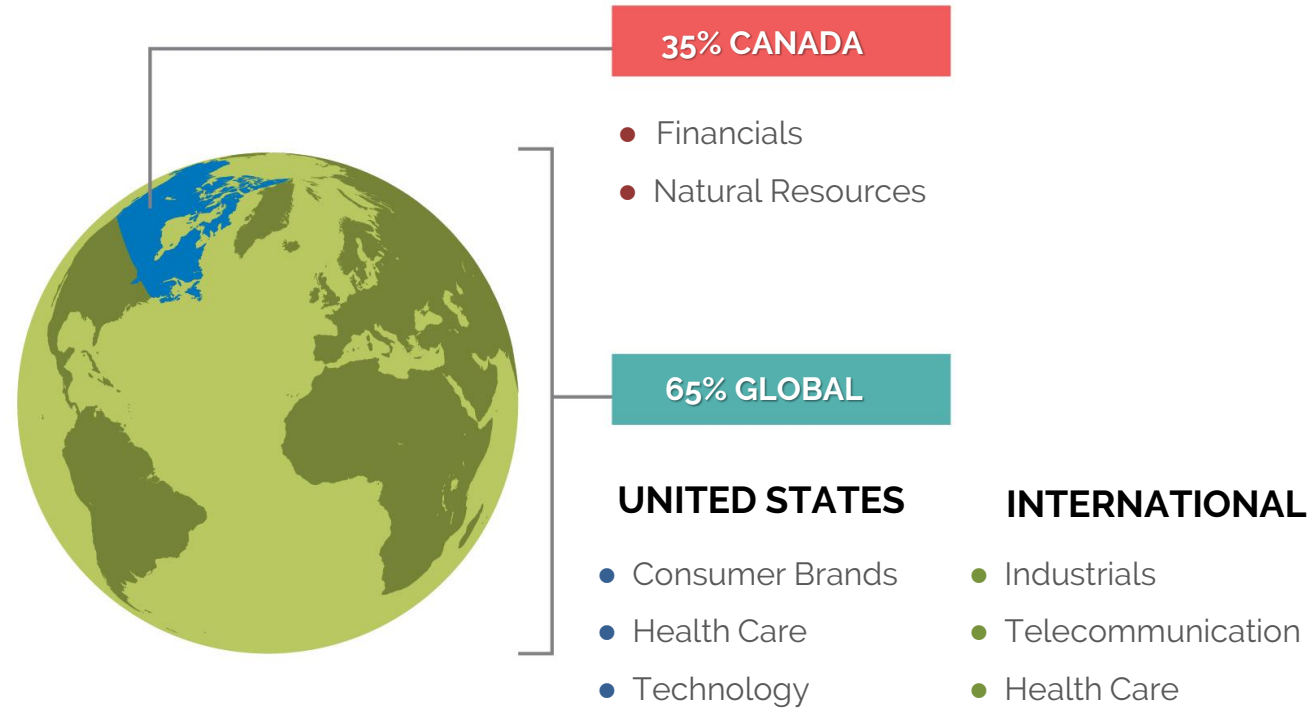
SELL LOW RANKING

# TOTAL EQUITY APPROACH: BEST OF BEST

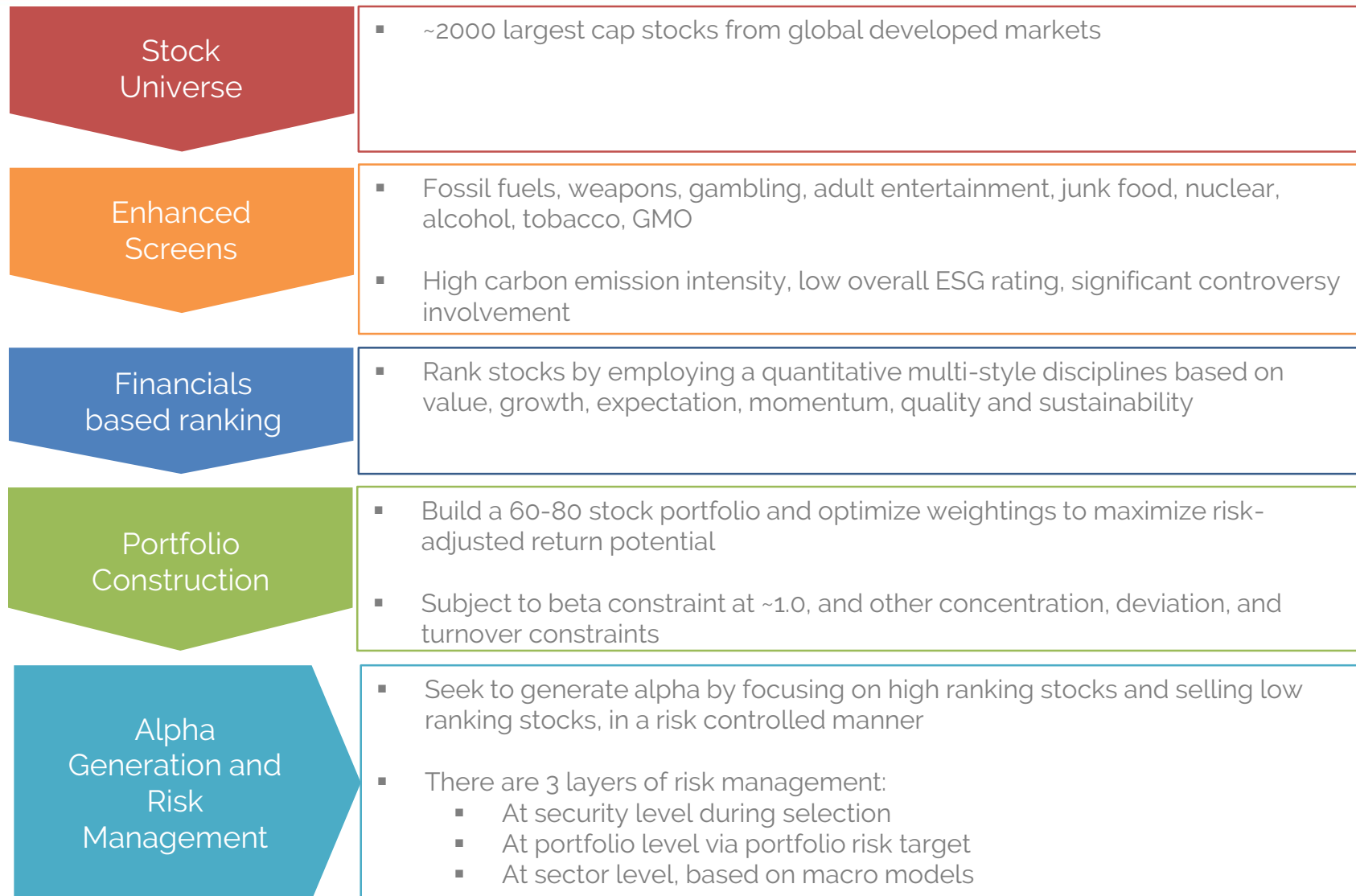
## Best of Best From Around the World

A selection of the best-of-best stocks from around the globe.

Greater exposure to world class companies, globally optimized, and better risk management.

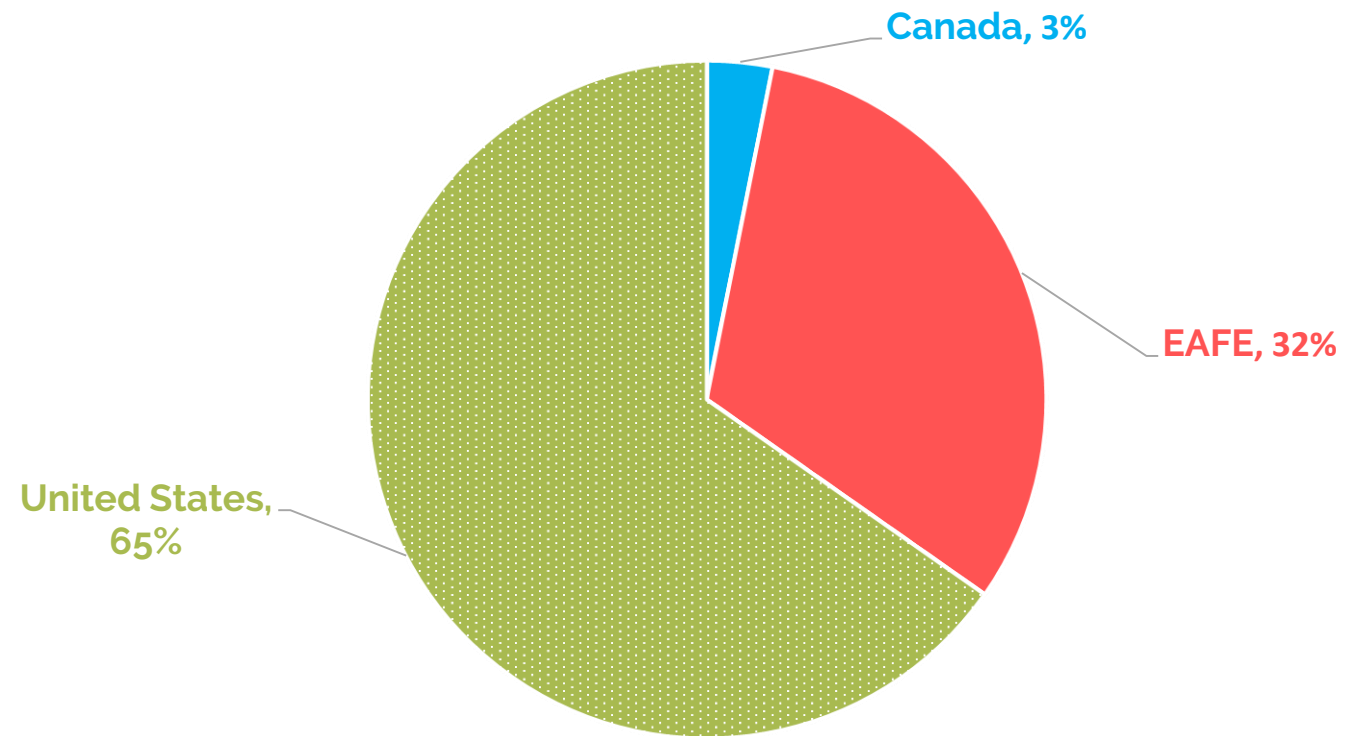


# SECURITIES SELECTION PROCESS



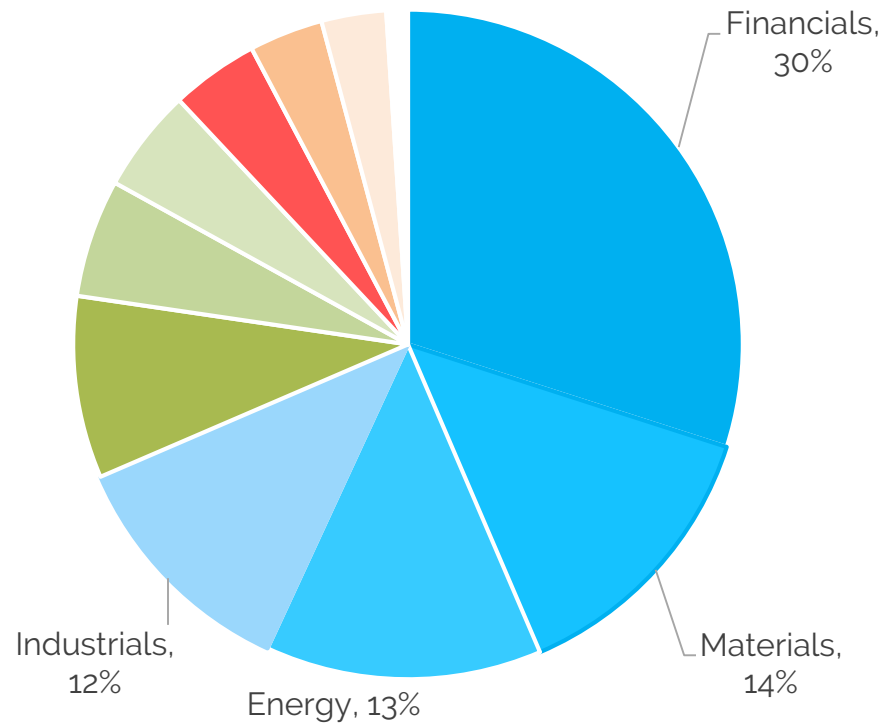
# CANADA IS A SMALL PART OF A BIG WORLD

Index Weight by Region

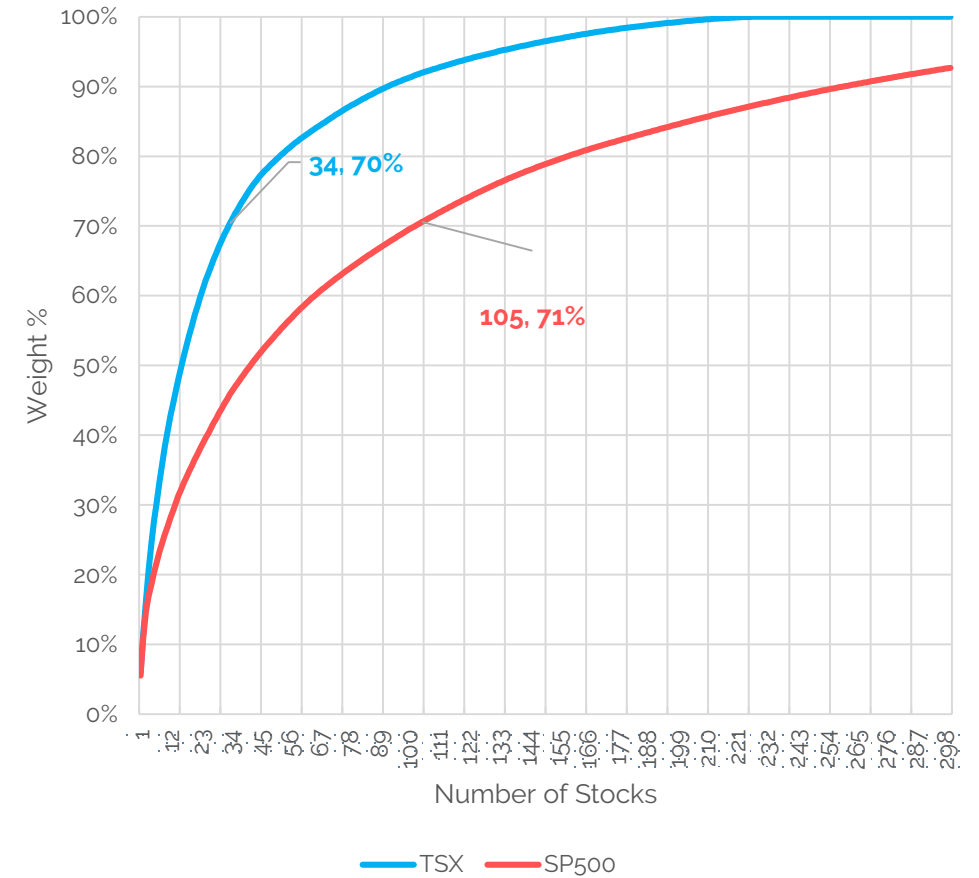


# TSX IS HIGHLY CONCENTRATED

4 sectors make up 70% of index – heavily concentrate on commodity and banks



34 stocks make up 70% of TSX





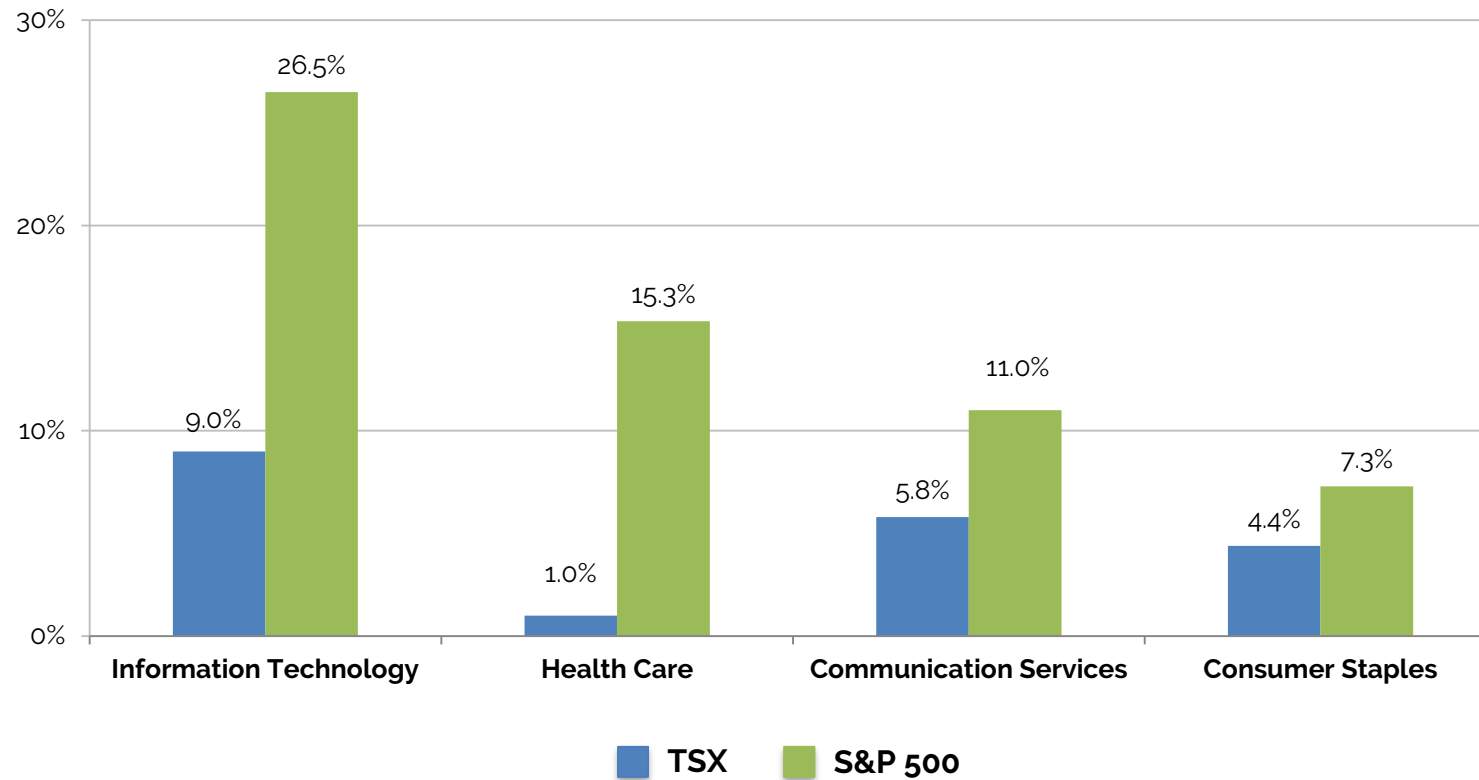
## TSX vs S&P 500: CYCLICALS vs GROWTH

Top 10 Stock in TSX	GICS Sector	Top 10 Stock in SP500	GICS Sector
ROYAL BANK OF CANADA	Financials	MICROSOFT CORP	Information Technology
SHOPIFY INC	Information Technology	APPLE INC	Information Technology
TORONTO-DOMINION BANK	Financials	AMAZON.COM INC	Consumer Discretionary
ENBRIDGE INC	Energy	FACEBOOK INC	Communication Services
CANADIAN NATIONAL RAILWAY CO	Industrials	ALPHABET INC	Communication Services
BANK OF NOVA SCOTIA	Financials	JOHNSON & JOHNSON	Health Care
BROOKFIELD ASSET MANAGEMENT INC	Financials	BERKSHIRE HATHAWAY INC	Financials
BARRICK GOLD CORP	Materials	VISA INC	Information Technology
TC ENERGY CORP	Energy	JPMORGAN CHASE & CO	Financials
BCE INC	Communication Services	PROCTER & GAMBLE CO	Consumer Staples

# COVID-19 SECTOR WINNERS

- Covid-19 winners represent 20% of TSX and 60% of S&P500

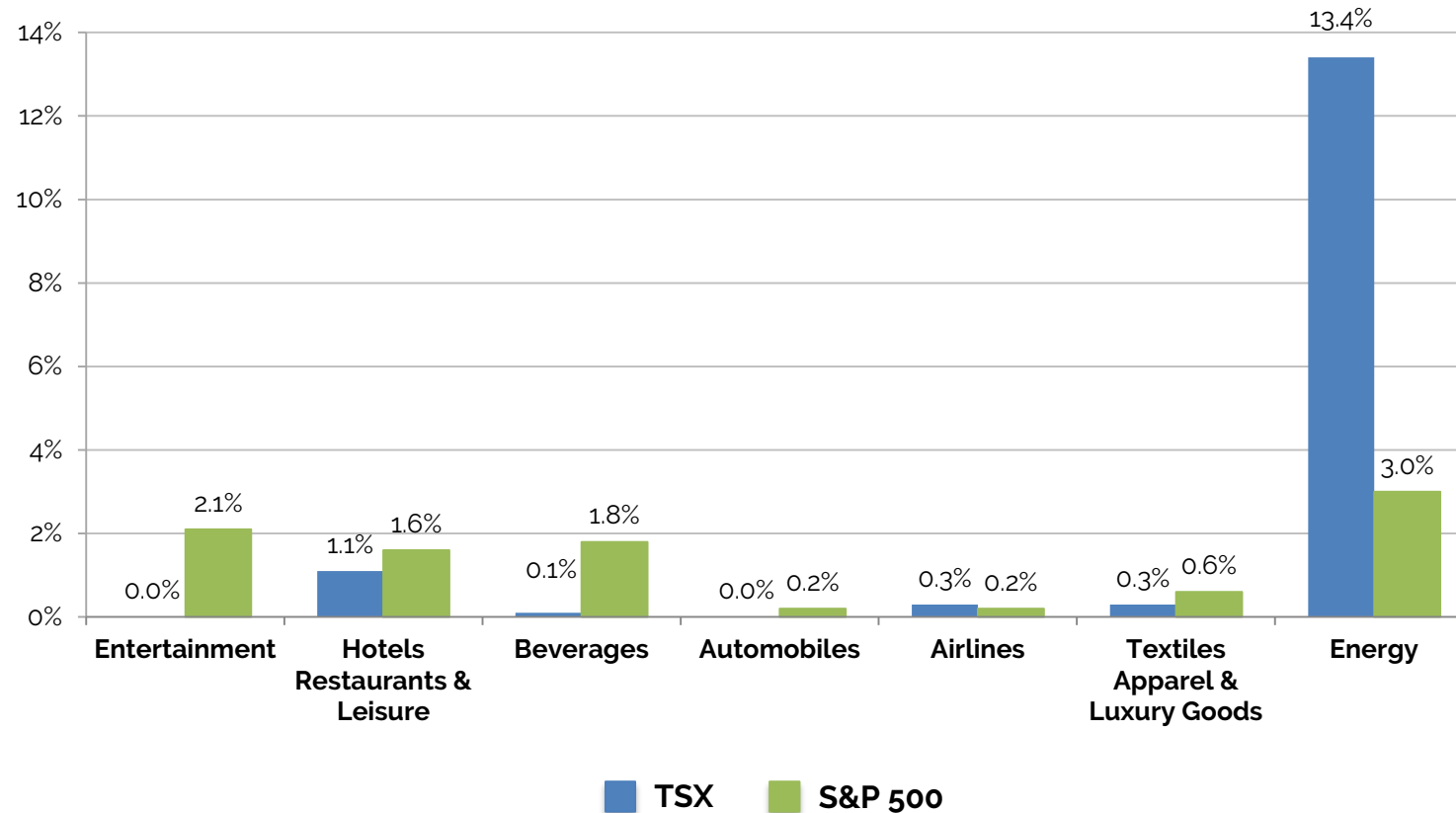
## Sector Weight (As of May 7, 2020)



# COVID-19 SECTOR LOSERS

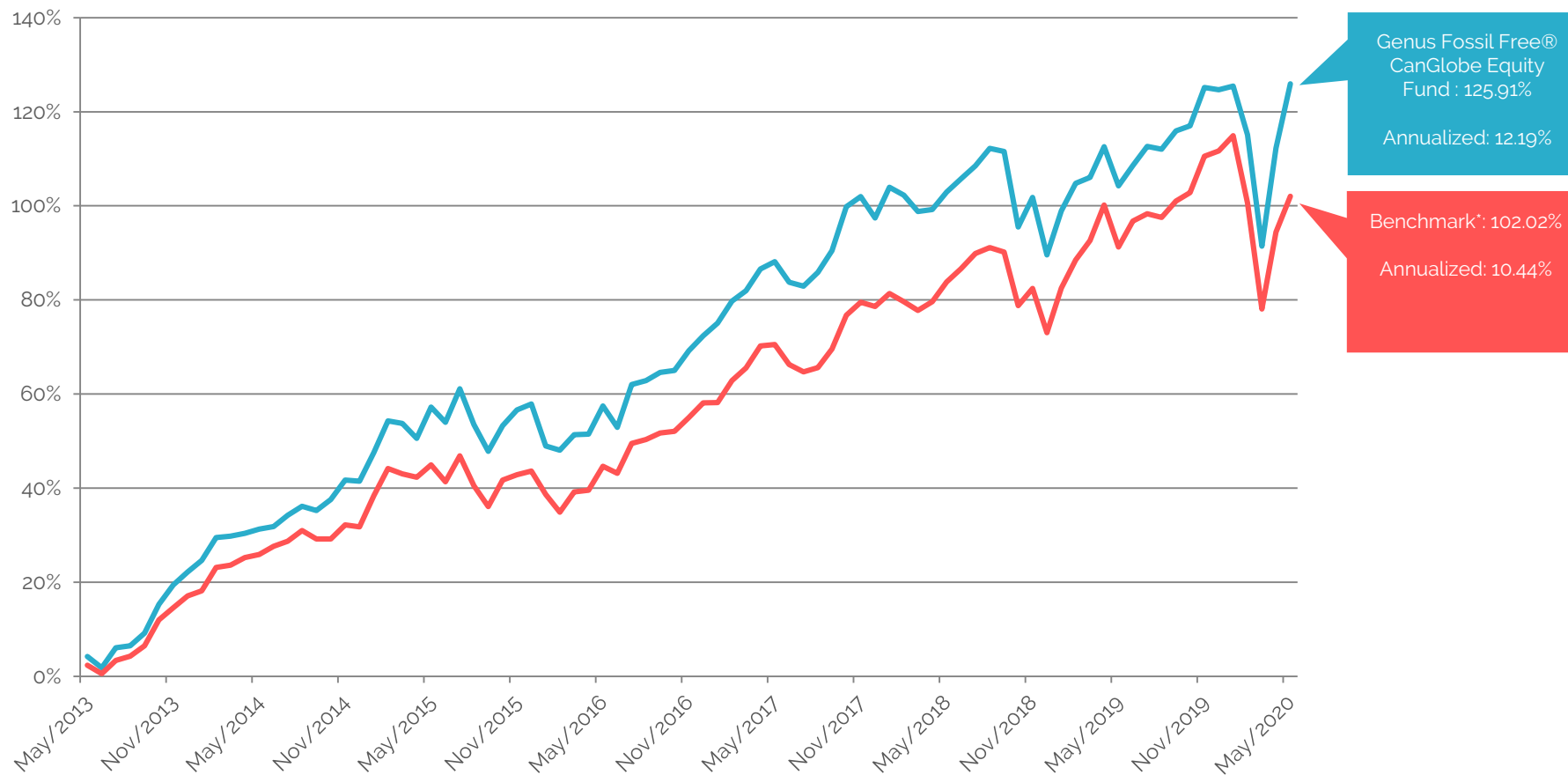
- Covid-19 losers represent 15% of TSX and 10% of S&P500

## Sector Weight (As of May 7, 2020)



# GLOBAL SUSTAINABLE FUND PERFORMANCE

**GENUS FOSSIL FREE® CANGLOBE EQUITY**  
**CUMULATIVE RETURNS IN CAD DOLLARS, GROSS OF FEES, NET OF EXPENSES**  
 May 31, 2013 to May 31, 2020



\*Fossil Free® CanGlobe Equity Benchmark: 35% S&P/TSX Composite, 65% MSCI World (04/01/2015 - Present)  
 Previous Benchmark 40% S&P/TSX Composite, 30% MSCI EAFE, 30% S&P 500 (04/09/2013 - 03/31/2015)

## SUMMARY OF BENEFITS TO MOVING MORE GLOBAL

- Canada is a small part of a big world
  - TSX is highly concentrated and lacks diversity
  - Select the best of the best stocks from around the world
  - Greater diversification of your own cash flows
  - Increase holdings with long term growth
  - Increase exposure to post-Covid 19 winners
-

# Next Steps

# Recommendation

**Vote FOR the Proposal**



**Vote via Proxy**



# Voting options

- Deadline to submit proxy, **11:59 pm EDT on Tuesday, June 23, 2020**

**OR**

- Special Meeting of Unitholders, **Thursday, June 25, 2020 at 12:00 pm EDT**



Thank you

**CONTACT**

**Toronto:** 416-488-3077

**Vancouver:** 604-424-8384

**Toll-free:** 1-888-791-6671

[information@encasa.ca](mailto:information@encasa.ca)