

Web Conference

High Conviction Web Conference with:

Montrusco Bolton

How to Generate Alpha with a High-Conviction Quality GARP Investment Strategy



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MANAGING A HIGH CONVICTION FUNDAMENTAL BOTTOM-UP QUALITY GARP PORTFOLIO UNDER VARIOUS MACROECONOMIC CONDITIONS

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- **MACROECONOMIC SHOCKS**
 - 2018-2022
- **CHALLENGES OF HIGH CONVICTION STOCK PICKERS**
 - IMPLICIT EXPOSURE
 - Region/country/currency overweight
 - High Beta exposure
 - Sector under/overweight
 - EXOGENOUS AND UNEXPECTED EVENTS
 - MINIMIZE UNINTENDED CLUSTER RISKS
- **MONTRUSCO BOLTON GLOBAL EQUITY STRATEGY**
 - STRATEGY DESCRIPTION
 - INVESTMENT PROCESS

There have been several exogenous shocks that have impacted the global economy and the financial markets over the past few years:

- 2018 - U.S./China Trade War:
 - Official Beginning of the Regionalization of the World
- 2019 - Brexit – U.K. Officially Votes to Exit the EU:
 - Currency Impacts
 - Trade, Labor Migration Impacts
- 2020/2021 - COVID-19 Pandemic:
 - Global Lockdowns
 - Supply Chain Disruptions
 - Changes to Work Habits
 - Central Bank Support
- 2022 - Highest Inflation Seen in over 30 Years:
 - Aggressive Central Bank Tightening
- 2022 - Russia Invasion of Ukraine:
 - Spike in Commodity Prices - Volatility in WTI & Brent

- **CHALLENGES OF HIGH CONVICTION STOCK PICKERS**

- IMPLICIT EXPOSURE
 - Region/country/currency overweight
 - High Beta exposure
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- MINIMIZE UNINTENDED CLUSTER RISKS

IMPLICIT EXPOSURE

As a stock picker, choosing your best ideas might lead to:

- Region/country/currency overweight
- High Beta exposure
- Sector under/overweight

Region/country/currency overweight

Brexit example:

- Based on relative or absolute attractiveness, certain markets might become a fertile ground for stock pickers, let's take the UK as an example. The companies are doing very well and have sound fundamentals. Then Brexit hits.
- Investors all of a sudden have a large currency exposure and economic headwinds as a unintended exposure.
- Asset managers then have to face their investors and clients and explained why they underperformed and why nobody could have predicted the real impact on stocks.

High Beta exposure

Technology market rout: i.e: multiple compression being the consequence)

- When investing in high growth companies, a Quality Growth Manager might be inclined to be overweight Low CAPEX, High Return on Invested Capital businesses. A lot of these companies are in the Technology sector and have a higher Beta than the market. By extension you are making a bet that technology will outperform the market.
- The second derivative, is that you are making a bet that the market will go up. Because of the high Beta factor exposure.
- COVID, inflation/interest rate, and other factors created adverse market conditions and led to a significant multiple compression.

Sector under/overweight

Oil price increase:

- Let's say you are again a Quality Growth investor, you might be naturally underweight certain sector, say energy or utilities. Then an energy shock hits the market and your lack of exposure to the sector will be an unintended market sector underweight.
- Our Global Equity team speaks to the CEO's of Oil companies, and they don't know where the price of oil is going. Why would we spend our time trying to forecast where the price is going ?

As bottom-up stock pickers, we are all spending our days, analysing companies from a stock specific perspective.

Most of us don't want to take bets where we do not have a competitive advantage.

There is a certainty:

- **Stock pickers will face exogenous and unexpected events**

One of the risk mitigating strategy:

- **Minimize unintended cluster risk**

MONTRUSCO BOLTON GLOBAL EQUITY STRATEGY

Montrusco Bolton Global Equity Strategy – Q3 2022 (as of September 30th, 2022)

Strategy profile:

Style: Quality Growth

Process: Fundamental bottom-up

Universe: Global Large Cap Quality Growth

Benchmark (USD): MSCI World Index

Strategy AuM (USD): \$1.6Bn

Strategy Description

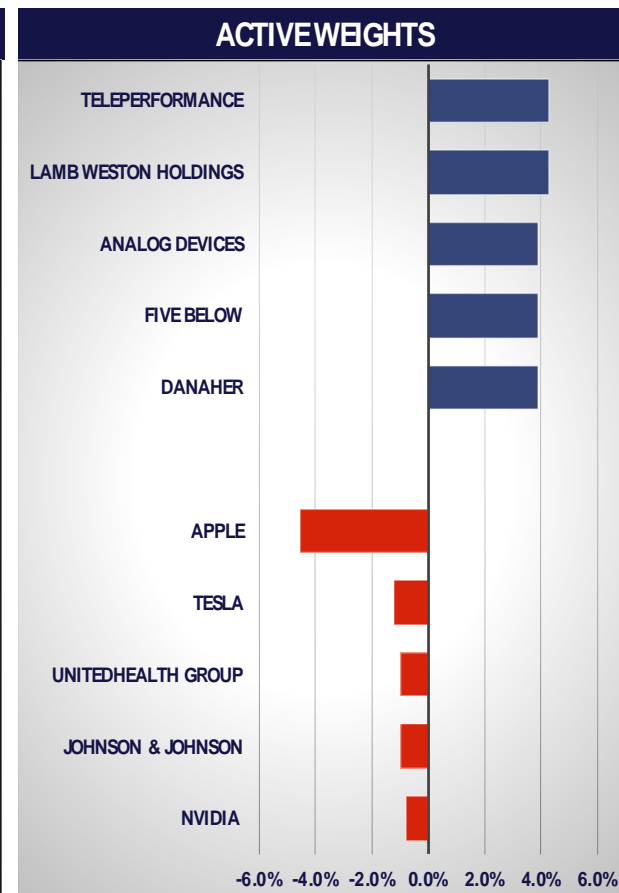
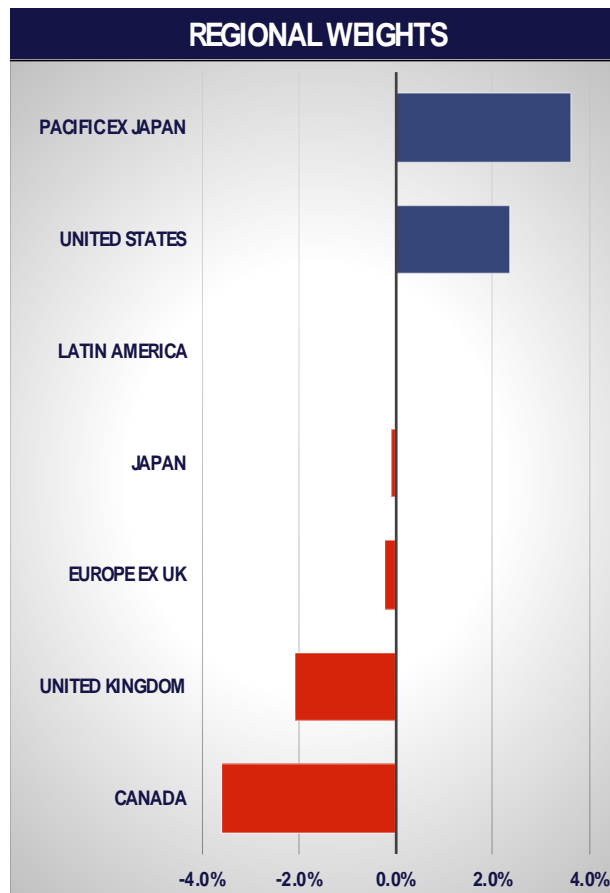
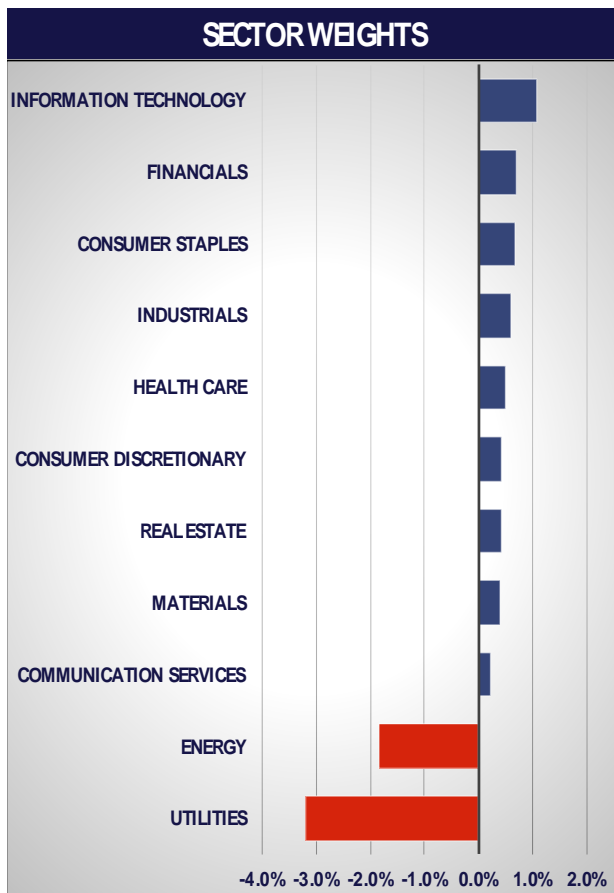
High-conviction Quality GARP investment strategy anchored in fundamental, bottom-up analysis. We rely on independent thinking to build our investment theses for each holding. We seek to forecast inflection points, errors of perception and catalysts through a repeatable process that promotes consistency and sustainability of alpha in different market conditions.

By running the portfolio to a beta of ~ 1 , we seek to mitigate relative impacts from market movements. In addition, we measure and reduce relative deviations vs the benchmark with respect to regions and sectors, in order to avoid unintended cluster risks. We aim to add value through idiosyncratic stock selection.

ESG considerations permeate the process from the definition of the investible universe through screening, fundamental analysis, monitoring and sell decisions.

Portfolio built and managed to add value in different market conditions:

- Security selection is the key driver of our alpha
- Mitigating relative risk where we do not add value:
 - Beta \approx 1
 - Regional, currency and sectorial deviations minimized
 - Scenario analysis to consider macro sensitivities
- Streamlined workflow to focus risks on our competitive advantages
- Research focused on finding inflection points, errors of perception and catalysts
- Dynamic management of stocks' weight
- Quality GARP investible universe



The information presented above is derived from one representative portfolio in the strategy. Sector classification based on GICS.
 Source: MBI, Bloomberg

CUMULATIVE ATTRIBUTION, Sept. 28 2018 – Sept. 30 2022

Over the last 4 years, 86.1% of the alpha is explained by the selection effect (see chart below)



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Source: Bloomberg. Global Equity model presented in USD vs. MSCI World Index.

Annualized Returns as at September 30, 2022 (%)	3 Months	YTD	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years	Since 31-Dec-08
Montrusco Bolton Global Equity Strategy (USD)	-3.47	-24.95	-20.36	4.58	11.94	10.93	12.18	12.14	13.73
MSCI World Index (USD)	-6.19	-25.42	-19.63	1.75	4.56	3.87	5.30	8.11	9.27
Added Value	2.72	0.47	-0.73	2.83	7.38	7.06	6.88	4.03	4.46
Quartile Ranking (eVestment)	1	2	3	1	1	1	1	1	

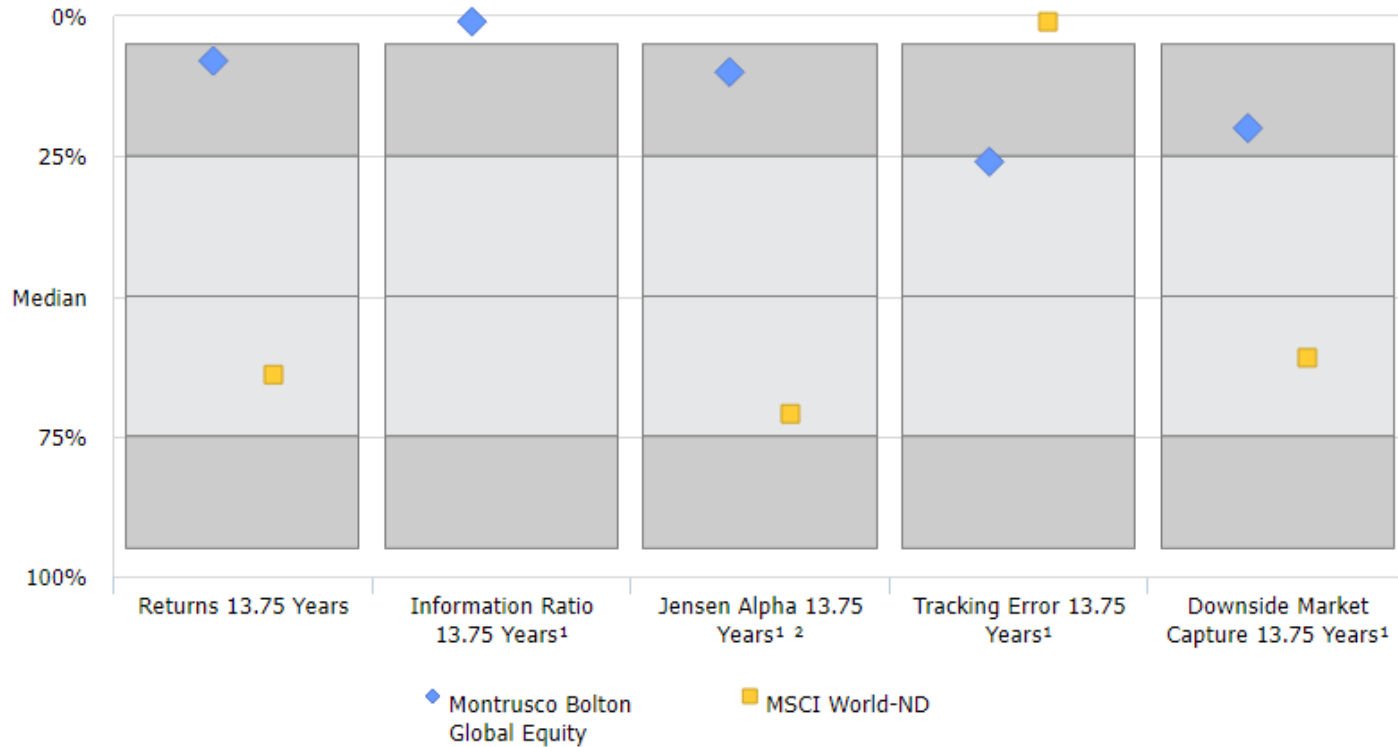
Annual Returns as at December 31 (%)	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Montrusco Bolton Global Equity Strategy (USD)	28.67	31.84	36.40	-5.20	32.78	5.38	0.04	1.09	30.15	19.78	-4.61	16.62	45.18
MSCI World Index (USD)	21.82	15.90	27.67	-8.71	22.40	7.51	-0.87	4.94	26.68	15.83	-5.54	11.76	29.99
Added Value	6.85	15.94	8.73	3.51	10.38	-2.13	0.91	-3.85	3.47	3.95	0.93	4.86	15.19
Quartile Ranking (eVestment)	1	1	1	2	1	3	3	4	2	2	2	2	1

Past performance is not necessarily indicative of future returns. There is a risk that invested capital may be lost.

Composite returns, gross of management fees. Fees, commissions and other charges may negatively impact the net return to an investor.

Source: MBI, Bloomberg, eVestment - Exchange Rates: WM/Reuters Closing Spot Rates at 1600 hours London time since 01-Oct-12, previously Bank of Canada noon rates

As Of: September 30, 2022



Universe: Evestment Ranking - Global Equity

Results displayed in USD using Spot Rate (SR).

¹MSCI World-ND; ²FTSE 3-Month T-Bill

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Composite returns, gross of management fees. Fees, commissions and other charges may negatively impact the net return to an investor.

Source: eVestment

Differentiation factors:

- Long term, 13.75 years track record by the current Portfolio Manager, Jean David Meloche, CFA
- High active share: 88% ²
- 5-year information Ratio: 1.69 ²
- High conviction portfolio: 34 holdings ²
- 11 out of 13 years of value added (including all 3 years of negative market returns)
- Annualized value added since inception: 4.46%¹
- Upside capture: 107.23¹ Downside capture: 88.16¹

¹ From December 31, 2008 to September 30, 2022

² As of September 30th 2022

Source: MBI, eVestment

ESG integration into the investment process and **active engagement with stakeholders**.
We are a PRI signatory since 2011.

Our philosophy:

We consider that companies that implement strong governance practices and effectively manage the environmental and social impact of their business activities are more likely to generate superior performance and long-term value for investors and our society.

Our approach:

We integrate ESG criteria into our investment process - Reducing risk through ESG Analysis & Monitoring - Target Companies That Employ Best Practices - Exert Influence Through Active Engagement

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Fund information

Please note: the presentation refers to the fund's strategy.
This strategy is available as a sub fund of UI I SICAV, launched 21.4.2022

UI I – Montrusco Bolton Global Equity Fund

LU2361251064 - EUR IX A
LU2361251221 - EUR I A
LU2361251650 - EUR R D

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