

# LetkoBrosseau

## CANADIAN EQUITY STRATEGY

As at June 30, 2022

### Strategy

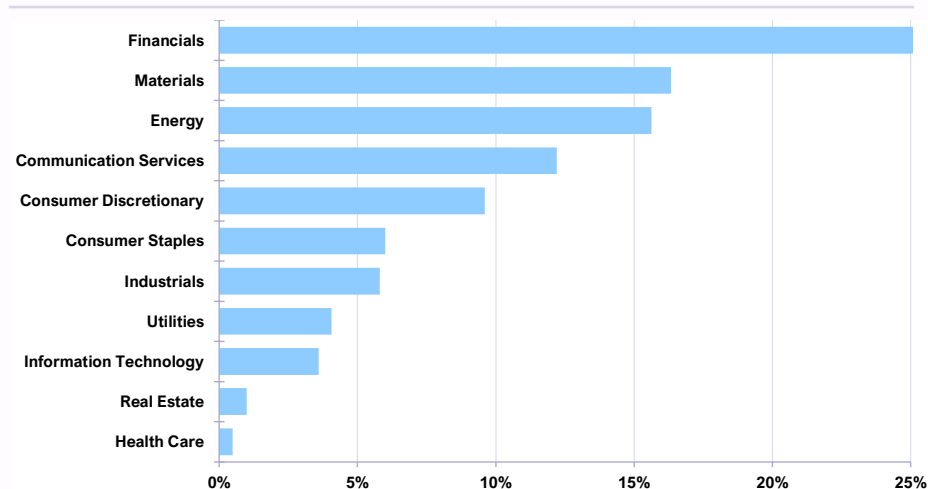
The strategy is designed for investors with a long-term investment horizon seeking a diversified Canadian equity portfolio. LBA has been investing in Canada since 1988. We offer a compelling value proposition based on our knowledge-based investing approach, collaborative team structure, price discipline, and low fees.

### Firm Profile

Founded in 1987, Letko, Brosseau & Associates Inc. (LBA) is one of Canada's largest independent investment managers with approximately \$16 billion managed. We offer a select number of broad investment strategies including Global Balanced, Fixed Income, Global Equity, Canadian Equity Income, Fossil Fuel Free Equity, Emerging Markets Equity, Canadian Equity, EAFE Equity and Infrastructure Equity where we feel we can add value through our disciplined knowledge-based investment approach.

<b>Inception Date</b>	October 1, 1995
<b>Category</b>	Equity
<b>Investment Options</b>	Segregated Account (\$5 million) Pooled Fund Account (\$1 million)

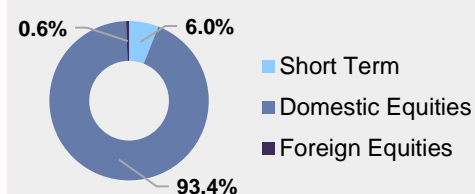
### Sector Weightings<sup>(1)</sup>



### Compounded Annualized Returns<sup>(2)</sup> (in Canadian dollars)

	1 year	3 years	5 years	10 years	Since Inception
<b>LBA Canadian Equity Composite</b>	<b>3.38%</b>	<b>9.52%</b>	<b>7.34%</b>	<b>10.73%</b>	<b>12.76%</b>

### Asset Allocation<sup>(1)</sup>



### Characteristics<sup>(1)</sup>

<b>Average Dividend Yield</b>	3.4%
<b>Forward P/E Ratio</b>	8.3
<b>Average Market Cap</b>	CA\$35.7 bil
<b>Active Share</b>	61%
<b># of Holdings*</b>	66
<b>Turnover Ratio*</b>	10.8%

### Country Weightings<sup>(1)</sup> (%)

Country	Weight(%)
<b>Canada</b>	<b>98.8</b>
<b>United States</b>	<b>0.9</b>
<b>Other</b>	<b>0.3</b>

(1) Information shown is based on the Letko Brosseau Canadian Equity Composite.

\*For the # of Holdings and Turnover Ratio the information shown is of a representative account, in this case the Letko Brosseau Canadian Equity Fund.

(2) Data is preliminary. See other notes on the next page for complementary information about this composite.



### Portfolio Strategy Commentary<sup>(3)</sup>

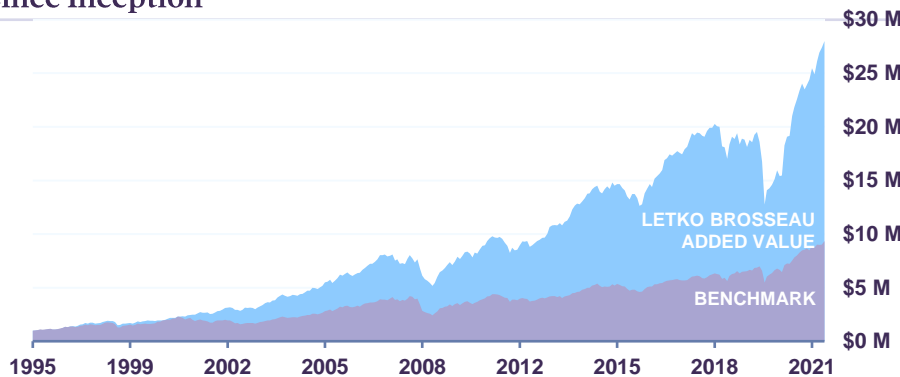
During the quarter, the Fund increased its position in Canadian Tire Corporation (CTC), one of Canada's largest and most iconic retailers with recorded revenues of \$16b in 2021. A portfolio of retail banners includes Canadian Tire®, Mark's®, Sport Chek® and Sports Experts®. CTC's retail business is supported by the financial services business (CTFS) which markets the Triangle credit card products. CTC owns 80% of CTFS and Scotiabank the remaining 20%. CTC also holds a 76% effective interest in CT REIT, which owns 258 commercial properties across Canada, most anchored by a Canadian Tire store. Canadian Tire® is a general merchandise retailer with 503 stores across the country occupying almost 22 million sq. ft., offering merchandise tailored to Living, Fixing, Playing, Automotive and Seasonal. Canadian Tire is trading at 8.9x 2022 earnings, a 3.7% dividend yield and a \$24 EPS by 2025 (from \$18 EPS today, 8.4% cagr). We believe CTC offers significant upside and is an attractive long-term investment.

During the quarter, the Fund increased its position in Maple Leaf Foods, one of Canada's largest food producers, operating in two divisions – meat protein (95% of the company's revenue) and plant-based protein. Maple Leaf is Canada's market leader in branded processed meats and fresh pork and chicken, with a growing presence in the U.S., led by its strong RWA (raised without antibiotics) offering. Maple Leaf is on track to open a new poultry processing facility this year which will enable it to meet the growing demand from its retail customers for value-added chicken. The commissioning of this new facility will be followed by the closure of three older, less efficient plants which together will support continued margin expansion at the company. While the company's recent results have suffered due to widespread supply chain disruptions and impacts from Omicron, we expect margins will recover and, in fact, continue to expand, supported by the new poultry processing facility. Maple Leaf Foods' shares trade at a very reasonable 12x 2023 forecast earnings and pay a 3.2% dividend yield.

During the quarter, the Fund took the opportunity to crystalize its gains and lowering its exposure to risk by reducing its position in Tourmaline Oil Corp. Tourmaline is the top natural gas producer in Canada with an extensive position in the prolific tight gas plays of the Deep Basin and Montney in Western Canada. Tourmaline Oil's stock rose strongly as natural gas prices rallied and the company continued to deliver top-notch performance with a great balance sheet and a string of special dividends. Tourmaline is trading at 5.6x 2022 earnings (assuming \$100 WTI, \$7 natural gas) and 13.4x based on 2023 numbers (assuming \$70 WTI, \$3 natural gas).

Top 10 Holdings <sup>(4)</sup>	(%)
	Weight(%)
Manulife Fin Corp	3.67
Bank Of Nova Scotia	3.56
Td Bank	3.49
Canadian Tire	3.36
George Weston	3.19
Bank Of Montreal	3.12
Royal Bank Of Canada	3.11
Suncor Energy	2.92
Rogers Communication	2.88
Power Corp Of Canada	2.84

### Value of \$1 million invested in the Canadian Equity Composite since Inception



The value graph above represents the excess return of our Canadian Equity Composite over the benchmark gross of fees from October 1, 1995 to June 30, 2022. This value added is \$18.6 million as of June 30, 2022. This Composite includes all discretionary Canadian equity mandates with asset mix targets for fixed income securities of less than 10%. The Composite assets as of June 30, 2022 were \$3.8 billion or 24.4% of assets under management. The benchmark since inception is 2% FTSE Canada 91 Day T-Bill Total Return Index and 98% S&P/TSX Composite Total Return Capped Index. Performance results reflect the reinvestment of dividends, income and other earnings. Reclaimable withholding tax refunds are recognized when received. The benchmark is fully invested and its returns include the reinvestment of dividends, income and other earnings. Performance results are presented before management and custodial fees but after trading commissions. Custody/administration costs may vary depending on client's custody arrangement and account.

(3) The transactions mentioned in the Portfolio Strategy Commentary section are of a representative account, in this case the Letko Brosseau Canadian Equity Fund and do not represent all the securities bought or sold in the fund during the quarter. A list of all purchases and sales made during the past year can be provided on request. It should not be assumed that an investment in these securities was or will be profitable.

(4) Information shown is based on the Letko Brosseau Canadian Equity Composite.

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