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**ANNUAL  
MANAGEMENT  
REPORT**

*of Fund Performance  
for the year ended  
December 31, 2023*

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**EQUITY FUNDS**  
FÉRIQUE European Equity Fund

This Annual Management Report of Fund Performance contains financial highlights but does not contain the complete annual financial statements of the Funds that you hold. You can get a copy of the annual financial statements at your request, and at no cost, by calling Services d'investissement FÉRIQUE's client services at 514-788-6485 (toll-free 1-800-291-0337), by writing at Gestion FÉRIQUE, Place du Canada, 1010 de La Gauchetière Street West, Suite 1400, Montréal, Québec H3B 2N2, or by visiting our website at [ferique.com](http://ferique.com) or SEDAR+ at [sedarplus.ca](http://sedarplus.ca). You may also contact us using one of these methods to request a copy of the Fund's interim financial report, proxy voting policies and procedures, proxy voting disclosure record and quarterly portfolio disclosure.

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.

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## Management Discussion of Fund Performance

### Investment Objective and Strategies

The FÉRIQUE European Equity Fund seeks to maximize long-term return by capital appreciation. The Fund mainly invests in all classes and categories of common shares on the European market.

The Fund is managed by two portfolio sub-managers who use different styles, namely Lazard Asset Management (Canada) Inc. (Lazard) which manages approximately between 50% and 70% of the portfolio and Walter Scott & Partners Limited, which manages approximately between 30% and 50% of the portfolio. These weightings may vary according to market fluctuations and investors' transactions in the Fund or according to the projected capital markets conditions and expected inherent risks given the portfolio sub-managers' strategies.

The portfolio sub-manager, Lazard Asset Management (Canada) Inc., uses a strategy with a core bias based on stock selection. It selects companies that have a sustainable high return on capital or that are improving, combined with an interesting valuation in relation to securities of other companies.

The portfolio sub-manager, Walter Scott & Partners Limited, has a low turnover bottom-up stock selection process, without reference to benchmarks, which aims to identify companies capable of sustaining and compounding high rates of internal wealth creation over the long term.

Money is mainly invested and reinvested in all classes and categories of common shares of European corporations listed on a stock exchange and may be invested in convertible bonds, preferred shares, rights, income trusts, exchange-traded funds, warrants, as well as foreign depository receipts.

### Risk

The risks of investing in the Fund remain the same as those described in the Prospectus. This Fund is intended for investors with a medium tolerance for risk who want to invest in the long term. It can also be used as an international equity component of a diversified investment 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 European Equity Fund posted a net return of 18.3% for the fiscal year ended December 31, 2023. Its benchmark, the MSCI Europe Index, posted a 17.4% 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<sup>1</sup>, which posted 16.0%, net of fees for the period.

#### Lazard

At the beginning of 2023, the European economy and equity markets were cause for caution. Central banks launched their most aggressive interest rate-hiking cycle in a generation in an attempt to curb rising

inflation. Equities lost their allure due to higher rates. The economy struggled, but not as much as expected. It takes some time for interest rate increases to have a widespread impact on the economy. As a result, companies in certain areas of the market performed beyond investor expectations.

A few major themes drove markets up during the year, chief among them being artificial intelligence (AI) applications for businesses.

Stock selection was the main driver of performance during the period. In particular, selection in Financials and Industrials bolstered returns, while selection in Consumer Discretionary and Materials detracted.

At the individual stock level, UniCredit was the portfolio's top performer. The Italian banking group announced share buybacks and above-forecast profits. Their margins are improving through a combination of loan growth and effective cost-cutting initiatives. The portfolio sub-manager believes the market is still underestimating the bank's capital generation capacity.

Ryanair Holdings climbed, as the company increased fares due to reduced flight capacity and continued demand. The Irish discount airline also announced it would reward shareholders by paying an unexpected dividend.

Conversely, the portfolio's position in DSM-Firmenich detracted from performance. The new entity formed by the merger of DSM and Firmenich announced a profit warning based on lower product prices. While near-term challenges certainly persist, the portfolio sub-manager believes that the company's reporting visibility will improve. Margins, volumes and the company's vitamin business are expected to improve from quarter to quarter, which will help the stock.

Consumer goods multinational Unilever underperformed a rising market. As bond yields declined, investors rotated out of defensive, stable businesses like Unilever in favour of more economically sensitive ones. Despite the recent difficulties, the portfolio sub-manager still likes the stock's risk/reward ratio and reasonable valuation, as well as the potential effects of a new CEO revamping the strategic direction.

As always, portfolio changes reflect the portfolio sub-manager bottom-up stock selection strategy.

The largest adjustment to the portfolio during the period was increasing the allocation to Information Technology following the addition of ASM International and Amadeus IT Group. A position in ASM International was introduced based on the semiconductor company's positioning in a market likely to benefit from the AI boom.

Amadeus IT Group is a Spanish technology company providing ticketing and departure control software to travel operators. The portfolio sub-manager thinks that passenger traffic will continue to recover post-pandemic and that the company will benefit from the growing trend of outsourcing IT services in the air travel industry.

Elsewhere, the portfolio's allocation to the Energy sector was shifted from an overweight to an underweight as the position in Galp Energia was sold off on strength. The company's returns and valuation were above the sector's average.

A position was reintroduced in Vestas. The wind turbine manufacturer's operating performance has returned to its 2020 levels, a time when the portfolio still held the stock. At the time, the portfolio sub-manager believed that wind energy was competitive even without subsidies. Nowadays, governments are significantly increasing their wind

<sup>1</sup> Source: Median return of similar funds according to Fundata, as at December 31, 2023.

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subsidies, which should further boost demand and benefit industry leaders such as Vestas.

From an environmental, social and governance (ESG) perspective, the portfolio sub-manager identified a couple of attractive investment opportunities in sustainability leaders and added a position in smart energy solutions company Alfen. The company's latest results supported the portfolio sub-manager's investment thesis. The energy storage segment is growing as a result of recovery in the destocking cycle but remains underappreciated. Meanwhile, revenue guidance in its electric vehicle charging station segment is pointing to an inflection. The portfolio sub-manager thinks that Alfen is undervalued based on its earnings outlook.

#### **Walter Scott & Partners**

From a sector viewpoint, the portfolio's overweight to outperforming Information Technology and positions in companies such as ASM International within the sector contributed the most to relative return. Holdings in Consumer Discretionary and Consumer Staples outperformed and contributed to relative returns. However, the allocation to the outperforming Financials sector detracted from relative returns as the portfolio's sole holding in the sector, Prudential Financial, underperformed.

From a regional perspective, the portfolio's Dutch and U.K. holdings outperformed and contributed the most to relative return. Spanish and French stocks also significantly boosted relative returns.

During the year, positions in Chr. Hansen, Novozymes, Kering, Sandoz, Temenos, Bunzl, Fevertree Drinks and Abcam were sold off, while positions in Wolters Kluwer, AutoStore Holdings, Diploma and Carl Zeiss Meditec were added.

In 2023, the portfolio sub-manager undertook 95 meetings with companies held in the portfolio and among them, 68 that addressed environmental, social and governance (ESG) matters. Topics discussed included carbon capture technologies, new fuel sources, climate scenario analysis, board composition, human capital management, leadership transition, fashion and the circular economy and packaging.

## **Recent Developments**

### **Lazard**

Markets rallied sharply late in the year, driven by optimism about the global interest rate outlook. Investors were encouraged by moderating inflation and expected that major central banks were satisfied enough by the outcome to finally end their restrictive monetary policies and, perhaps, even begin cutting interest rates in 2024. As a result, yields fell and eased the pressure equities had been under in the third quarter.

The portfolio sub-manager believes that market expectations are too high, especially with regard to interest rate cuts.

While showing signs of improvement, European macroeconomic data remains weak. The German unemployment rate is near its pandemic peak, and German, French and Italian economies appear to have stalled based on their GDP figures for the third quarter of 2023.

It generally takes up to 18 months for the full effects of interest rate increases to be felt across the economy. If monetary history proves reliable, this suggests that the latest major tightening cycle is currently starting to affect economic growth and unemployment rates. Central banks will likely maintain a cautious stance and wait before declaring victory over inflation and adjust their policies.

While European investors should be vigilant coming into 2024, the region's stock market valuations remain quite low by historic and international standards. European companies have also been strengthening their balance sheets, reducing their net debt and significantly increasing share buybacks.

Unexpectedly low equity valuations mean that European stocks will easily rise in 2024 due to low expectations. Against this backdrop, the portfolio sub-manager will follow its bottom-up fundamental investing strategy to identify investment opportunities with positive asymmetry.

The portfolio sub-manager is finding opportunities within industries that are less affected by the current economic environment. The portfolio is most overweight to Information Technology, as companies within the sector benefit from structural growth tailwinds and provides essential technologies in which customers are investing despite a challenging economic environment.

#### **Walter Scott & Partners**

Equity markets performed very well in the fourth quarter of 2023, capping off a year marked by solid gains despite occasional bouts of turbulence as the economy proved more resilient than expected. A number of major stock indices closed the year at or near all-time highs despite central banks' pursuit of monetary austerity and fears of recession early in the year.

Against this backdrop, and with inflation steadily moderating, investors were increasingly expecting a turn in the interest rate cycle and a successful soft landing of the economy. Such a stance fostered a benign environment for equities despite the lack of earnings growth over 2023.

Equity investors have been reacting to signs of a monetary pivot by central banks and hopes of a soft landing for the global economy. While this view may continue to support equities, it also entails some risks. The lagging effects of rising interest rates on inflation may further impinge on consumers and businesses and test some of the more optimistic stances on global growth. Core inflation may remain sticky and expectations of imminent monetary policy easing could be premature.

High valuations in certain areas of the market leave little leeway in the event of disappointing growth or delays in changing monetary policy direction. Despite the current optimism over an easing of policy, a return to ultra-low interest rates is unlikely and unwarranted. Capital cost has risen and will increasingly be a differentiating factor between financially strong companies and those with weak, highly levered business models. So far, rising global political tensions have been disregarded by stock markets, but they remain a potential source of volatility.

The portfolio sub-manager will continue to implement its investment strategy in spite of any challenges. As part of its investment process that focuses on the long term, it will visit companies and engage with their management teams, analyze the businesses, assess their

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quality and financial standing and determine their growth prospects in light of the common interest.

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, portfolio sub-managers Lazard and Walter Scott & Partners did not enter into any related party transactions as it pertains to the management of the FÉRIQUE European 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				
	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)
<b>Net Assets per Unit<sup>(1)(5)</sup></b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Net assets, beginning of accounting period <sup>(4)</sup>	11.75	14.10	13.42	12.81	11.03
<b>Increase (decrease) from operations</b>					
Total revenues	0.30	0.29	0.35	0.22	0.50
Total expenses	(0.17)	(0.16)	(0.20)	(0.19)	(0.18)
Realized gains (losses)	0.13	(0.56)	1.55	0.46	(0.06)
Unrealized gains (losses)	1.90	(1.62)	(0.07)	0.56	1.84
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>2.16</b>	<b>(2.05)</b>	<b>1.63</b>	<b>1.05</b>	<b>2.10</b>
<b>Distributions</b>					
From dividends	0.15	0.11	0.16	0.08	0.33
From capital gains	–	–	0.79	0.28	–
<b>Total annual distributions<sup>(3)</sup></b>	<b>0.15</b>	<b>0.11</b>	<b>0.95</b>	<b>0.36</b>	<b>0.33</b>
<b>Net assets, end of accounting period<sup>(4)</sup></b>	<b>13.76</b>	<b>11.75</b>	<b>14.10</b>	<b>13.42</b>	<b>12.81</b>

<sup>(1)</sup> 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.

<sup>(2)</sup> 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.

<sup>(3)</sup> Distributions were paid in cash or reinvested in additional units of the Fund, or both.

<sup>(4)</sup> The net assets are calculated in accordance with International Financial Reporting Standards (IFRS).

<sup>(5)</sup> In this document, the word "units" indicates Series A units.

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## Financial Highlights (continued)

	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)
<b>Ratios and Supplemental Data</b>					
Net asset value (in thousands of \$) <sup>(1)</sup>	<b>247,061</b>	213,339	225,953	287,309	256,733
Number of units outstanding <sup>(1)</sup>	<b>17,947,732</b>	18,141,188	16,061,240	21,393,001	20,004,193
Management expense ratio (%) <sup>(2)</sup>	<b>1.27</b>	1.25	1.30	1.30	1.30
Management expense ratio before waivers or absorptions by the Manager (%)	<b>1.27</b>	1.25	1.30	1.30	1.30
Portfolio turnover rate (%) <sup>(3)</sup>	<b>27.59</b>	34.65	51.56	134.48	65.75
Trading expense ratio (%) <sup>(4)</sup>	<b>0.07</b>	0.10	0.12	0.24	0.17
Net asset value per unit (\$)	<b>13.77</b>	11.76	14.07	13.43	12.83

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

<sup>(2)</sup> 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.

<sup>(3)</sup> 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.

<sup>(4)</sup> 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 1.10% and are detailed as follows:

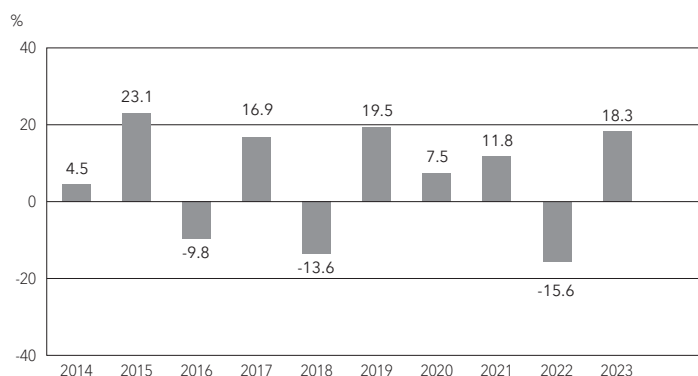
- Management fees: 0.98%
- Administration fees: 0.12%

### 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 European Equity	18.3	3.7	7.5	5.3
MSCI Europe Index (CA\$)	17.4	7.7	8.9	7.0
Median*	16.0	2.7	5.2	4.1

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

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## MSCI Europe Index

The MSCI Europe Index (CA\$) measures the total return of equity securities issued on the European markets.

## Comparison with the Index

The Fund posted a net return of 18.3% for the fiscal year ended December 31, 2023, compared to 17.4% for its benchmark index. Contrary to benchmark returns, which include no investment fees, Fund returns are expressed net of management and operating expenses payable by the Fund.

## Portfolio Overview

The Top 25 Holdings in the Portfolio	% of net asset value
Novo Nordisk A/S	4.3
ASML Holding NV	3.4
Roche Holding AG NPV	2.2
Louis Vuitton Moët Hennessy	2.2
SAP SE	2.1
Air Liquide SA	2.1
Compass Group PLC	2.1
Universal Music Group NV	2.0
Novartis AG	2.0
AstraZeneca PLC	1.8
ASM International NV	1.8
UniCredit SpA	1.7
Amadeus IT Holding SA	1.6
RELX PLC	1.5
BP PLC	1.5
HSBC Holdings PLC	1.5
Hermes International	1.5
Infineon Technologies AG	1.4
Unilever PLC	1.4
Merck Kgaa	1.3
Vonovia SE	1.3
AXA	1.2
Ferrari NV	1.1
Adidas AG	1.1
Cash, Money Market and Other Net Assets	0.9
	<b>45.0</b>

Weighting by Country	% of net asset value
United Kingdom	20.9
France	18.9
Germany	14.2
Switzerland	12.1
Netherlands	8.9
Denmark	6.7
Italy	6.0
Ireland	3.3
Spain	2.6
Sweden	1.4
Finland	1.1
Portugal	0.8
Austria	0.7
Norway	0.6
Greece	0.5
Poland	0.4
Cash, Money Market and Other Net Assets	0.9

**Net Asset Value** **247,061,085**

The allocation of the portfolio may vary due to the transactions carried out by the Fund. A quarterly update is available.

## Other Material Information

Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for particular purpose with respect to any such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI's express written consent.



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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](mailto:client@ferique.com);
- by visiting [ferique.com](http://ferique.com) or [sedarplus.ca](http://sedarplus.ca).