Small Caps Webcast Summary

Macro update – Russia/Ukraine conflict

- The main source of risk from the conflict is higher commodity prices and supply chain disruptions, which will lead to slower economic growth. However, the global economy is undergoing a strong recovery and 2022 is on track for a well above normal growth rate, which will help provide a buffer for these negative shocks.
- While central banks see higher oil prices as a surrogate for rate hikes, officials know that higher rates will not increase the supply of anything. We believe global central banks would be more cautious with the paths of their monetary tightening policies.
- The market has faced many similar crises in the past. While the market eventually recovers, volatility may remain high in the near term.
- With an appropriate, multi-year time horizon, the golden rule of investing remains – **stick with your portfolio if it reflects your long-term goals and plans** and avoid making bold calls on market timing.

Global Small Mid Cap Fund – Phil Taller, US sleeve

- We have reduced our cyclical bets as the market has now priced in a high level of optimism for this cycle.
- We are seeing huge potential growth opportunities for some companies that focus on increasing digitization of their businesses – those that want to get better at customer or public interactions, data analysis, efficiency of workflow and agility. Examples of companies include Akamai, Alteryx, Maximus and Motorola Solutions.
- We are looking for companies with high growth potential. To do so in a conservative manner, the discount rate we use in our model is much higher than today's level. Despite that, our portfolio has significant exposure to tech companies, which have historically held up well during tech downturns relative to our peers and benchmark.

Global Small Mid Cap Fund – Kalle Huhdanmäki, European sleeve

- From a macroeconomic perspective, inflation in Europe is less severe than in the US, so the magnitude of the potential rate hike will be lower. Also, the portfolio has a slight overweight to financials (mainly banks and insurance companies), which will benefit in the near term from higher rates.
- Due to the smaller market size in Europe as compared to the US, there are more small and mid cap companies that are doing well in niche market segments, resulting in a large pool of SMID cap companies with high growth potential.
- Europe is now the global leader in ESG, which creates an opportunity for European companies to gain the first-mover advantage as the importance of sustainability continues to grow globally.

Global Small Mid Cap Fund – Bryan Mattei, Asian sleeve

- We have been reducing our underweight exposure to China as the sell-off in the market continues. We are now seeing some attractive opportunities in the space, at least on a tactical basis.
- Japan remains the largest country exposure in the portfolio. In general, Japanese companies have greater emphasis on shareholder returns, continuous improvement in corporate governance, as well as greater attention to ESG.
- Over the longer term, we are optimistic about the sustainable energy investment theme, and are currently seeing great opportunities in both the traditional energy segments and the renewable space. For example, growing EV adoption will require increasing investments in grid and charging infrastructures. We also like copper, given EVs have 3-4x more copper content than internal combustion engine vehicles.

Canadian Small Cap Fund – Scott Carscallen

- The Canadian small cap space is dominated by resource companies which explains most of the market's underperformance versus Canadian large caps over the past few years, but there are many great companies in other industries that give us an opportunity to generate alpha.
- The types of companies we are looking for:
  - are operating in non-cyclical and fragmented industries with high growth potential and opportunities for M&A consolidation
  - have management teams with a demonstrated track record of successful capital deployment and, where applicable, a history of M&A activity
  - potential for positive upcoming catalyst events
- We are most optimistic for the industrial and financial sectors over the short- to medium-term, and this is where we're overweight relative to the Canadian small cap index. This is where we see the most attractive investment characteristics and the best growth rates.