NCM Investments

# Think you can’t be better diversified within Canada? **Think again.**

A conversation with


Keith Leslie CFA

Portfolio Manager


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Canadian equity funds tend to look the same. Not NCM Core Canadian. Keith Leslie, CFA explains how a factor-based, low-volatility approach has helped the fund stand apart for over 10 years.

**Q: What exactly makes NCM Core Canadian so different?**

We are trying to build a portfolio that genuinely looks different from both the index and the average Canadian equity fund. Too many portfolios end up invested in the same familiar names, which limits how much true diversification they can offer.

I'm known for saying I like to torture the data until it confesses, and that is a good way to understand the fund. We measure everything numerically that we believe matters. This is a factor-based strategy. We are not relying on broad narratives or traditional fundamental stock-picking. We are using data to identify companies with the characteristics we want, then building the portfolio to reflect those characteristics as clearly as possible.

> *"We are looking to create a portfolio with the greatest mathematical probability of outperforming."*

That means a more concentrated portfolio, a broader opportunity set, and a disciplined focus on overall attributes like momentum, valuation, yield support and lower beta. We also have the flexibility to go down market to smaller capitalizations when we see compelling opportunities, which gives us a larger field to work with than many traditional mandates.

The key is that we do not just screen for those traits once and leave the portfolio alone. We actively manage the fund so those characteristics remain true over time. In the end, we are trying to build a portfolio with the greatest mathematical probability of outperforming. That discipline helped the fund return 35% in 2025 without sacrificing the lower-volatility profile that has defined it over time.

**NCM Core Canadian: Performance vs. Peers and Index**

| | YTD | 1yr | 3yr* | 5yr* | 10yr* | Since Inception* |
|---|---|---|---|---|---|---|
| NCM Core Canadian F-Series | 5.6% | 41.9% | 23.7% | 16.3% | 11.4% | 11.9% |
| Peer Group | 2.9% | 27.2% | 17.5% | 13.0% | 10.5% | 11.0% |
| Quartile Rank | | | | | | |
| % of Peer Group Beaten | 94% | 97% | 98% | 95% | 67% | 68% |
| Index | 3.9% | 34.8% | 21.2% | 15.2% | 12.6% | 13.1% |

Source: Morningstar, as of March 31, 2026. Peer Group: Canada Fund Canadian Equity category. Index: S&P/TSX Composite Total Return Index. *Annualized, Inception: February 17, 2016.

We do not believe investors get much diversification when every manager owns the same large-cap names in roughly the same proportions. If a fund is going to earn a place in a client portfolio, it should offer something genuinely different. For us, that difference is the natural outcome of a disciplined, factor-based process that results in high active share and a portfolio that holds only a fraction of the index's largest positions.

| The Numbers Behind The Difference | |
|---|---|
| Metric | NCM Core Canadian |
| Top 10 S&P/TSX holdings owned | 4 |
| Top 25 S&P/TSX holdings owned | 7 |
| Top 10 peer-group weighted stocks owned | 4 |
| Number of holdings | 36 |
| Active share | 73% |
| As of March 31, 2026 | |

**Q: NCM Core Canadian is described as a low-volatility fund. What does that mean in practice?**

Lower volatility and downside protection is a key focus of the fund. However, low volatility does not mean every stock in the portfolio is low volatility on its own. It means the portfolio, taken as a whole, is built to be steadier than the broader market. Less ups and downs.

> *"The portfolio is built to be steadier than the broader market."*

That gives us room to combine different kinds of businesses. We can own a more volatile growth name when we believe in the opportunity, then offset that with larger positions in steadier companies. The goal is not to eliminate upside. The goal is to build a portfolio that can participate in rising markets while helping protect capital when conditions get harder.

It's good to remember that investor outcomes are not driven only by returns on paper. They are also driven by whether clients can stay invested through periods of volatility. A steadier ride can make that easier. The downside capture and lower standard deviation is a hallmark of our strategy and to us is far more important that keeping up in strong bull markets.

| NCM Core Canadian: Superior Upside/Downside Capture and Risk Measures | | | | |
|---|---|---|---|---|
| | Beta | Alpha | Up Capture | Down Capture |
| NCM Core Canadian vs. S&P/TSX TRI | 0.71 | 7.67% | 90.1% | 45.4% |
| Source: Morningstar, 3 years ending March 31, 2026 | | | | |

| | NCM Core Canadian | S&P/TSX | Advantage |
|---|---|---|---|
| 3-year Standard Deviation | 9.6% | 11.5% | 17% less volatility |
| 5-year Standard Deviation | 10.9% | 12.5% | 13% less volatility |
| Source: Morningstar, as of March 31, 2026 | | | |

**Q: How would you describe the fund's investment process?**

The simplest way to describe it is momentum at a reasonable price. We want to purchase companies with positive price and earnings momentum, but we do not want to overpay for that growth.

We also keep a close eye on broader portfolio characteristics. We are very focused on the overall fund attributes and make changes if those attributes no longer match our target. If valuation gets stretched, we will rebalance. If the portfolio's yield falls too far, we will look for ways to improve it. If the risk profile starts to drift, we will make changes.

A lot of managers talk about factor exposure. What matters is whether you are willing to keep adjusting the portfolio so those characteristics do not drift over time. That discipline has been an important part of the process.

| Portfolio Metrics | | | |
|---|---|---|---|
| March 31, 2026 | NCM Core Canadian | S&P/TSX | Advantage |
| **Valuation** Forward Price/Earnings | 14.9x | 17.9x | 17% discount |
| **Profitability** Forward ROE | 18.6% | 16.6% | 17% discount |
| **Growth** 3-year Revenue Growth | 17.0% | 15.5% | 10% premium |
| Source: FactSet | | | |

**Q: You are known as an active trader around core positions. How does that add value?**

We trade around core positions when the market gives us an opportunity. If we like a company and the stock falls for reasons we do not believe change the long-term thesis, we may add to the position. If it rebounds quickly, we may trim it back. In a volatile market, that can be a useful source of incremental value.

*"[Trading around core positions] can be a useful source of incremental value."*

We are also disciplined on the sell side. If the facts change, we are willing to move on quickly. That has been an important part of the fund's downside protection over time. As we like to say, your first loss is your best loss. We are not trying to prove we were right. We are trying to protect capital and redeploy it where the opportunity is better.

**Q: What should advisors understand about where this fund fits in a portfolio?**

First, this is not a closet index fund. It is a high-active-share Canadian equity strategy designed to look and behave differently from the broader market. That alone can make it useful alongside a passive allocation or a more conventional Canadian equity mandate.

Second, the fund's lower-volatility profile means it can appeal to investors who want Canadian equity exposure but are especially sensitive to drawdowns. For some clients, it can work as a core Canadian allocation. For others, we think it can make sense as a meaningful complement, representing roughly 25% to 50% of the Canadian equity sleeve.

**NCM Core Canadian at a glance**

| Attribute | NCM Core Canadian |
|---|---|
| Track record | 10+ years |
| Mandate | Canadian large-cap equity with flexibility |
| Investment style | Factor-based, low-volatility |
| Portfolio manager | Keith Leslie, CFA |
| Role in portfolio | Core Canadian equity holding or differentiated complement |

The key point is that diversification within Canada is possible. You do not have to own the same handful of stocks in the same proportions as everyone else to get Canadian equity exposure. A differentiated strategy like NCM Core Canadian can help broaden that exposure in a deliberate way.

| NCM CORE EQUITY | F | A | Z |
|---|---|---|---|
| PDF NCM CORE CANADIAN *Canadian Equity* | NRP 3500 | NRP 3501 | NRP 3507 |

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