

# Fund update

## Canadian Equity



April 2021

At Russell Investments Canada Limited (“Russell Investments Canada”), we are committed to providing high conviction investment solutions utilizing a selection of the world’s leading investment managers, as a means to help Canadians pursue their desired investment outcomes. Changes have been made recently to the lineup of sub-advisers in **Russell Investments Canadian Equity Pool** and **Russell Investments Canadian Equity Class**<sup>1</sup> (collectively, the “Fund”) to increase conviction and style diversification within active management of the Fund. ClariVest Asset Management LLC (ClariVest) has been removed as a sub-adviser to the Fund.

- Picton Mahoney Asset Management (Picton) has been added as a non-discretionary sub-adviser to the Fund.
- The weightings of other sub-advisers to the Fund have also been slightly altered to ensure the Fund’s risk profile remains in line with its target.

### CHANGE RATIONALE

The change in sub-advisers is driven by portfolio construction considerations and our push to ensure that we have the highest conviction in all of the sub-advisers in our funds. As well, Russell Investments’ manager research team is concerned that ClariVest’s traditional “smart beta”<sup>2</sup> strategies have become less effective, which could lead to a lower level of outperformance in the future.

Momentum-based strategies such as Picton’s are scarce in Canada, and Russell Investments believes the proposed change provides a compelling opportunity to increase our conviction in our sub-advisers and improve the style diversification among them.

### ABOUT PICTON

Picton is an employee-owned investment management firm based in Toronto that manages both traditional funds and hedge funds. Its Canadian equity strategy seeks to identify stocks that are expected to exceed consensus earnings forecasts over the next 12-18 months. While primarily a quantitative stock-selection strategy, the firm also considers macroeconomic views of industry and sectors in its approach.

Russell Investments believes Picton’s strategy includes compelling elements, such as its Momentum orientation and its blend of quantitative idea generation and fundamental stock selection. The strategy is managed by David Picton, who we view as an experienced and thoughtful portfolio manager. We also note that Picton has undergone a number of changes to its organization and process, which we believe has resulted in improvements to both the fundamental and quantitative aspects of its investment strategy.

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<sup>1</sup> Russell Investments Canadian Equity Class invests in Russell Investments Canadian Equity Pool

<sup>2</sup> Smart beta is a systematic exposure to selected factors such as value, growth, momentum or low volatility. Factors are the underlying characteristics of stocks, bonds or other assets that drive their performance.

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## NEW SUB-ADVISER TARGET WEIGHTS IN THE RUSSELL INVESTMENTS CANADIAN EQUITY POOL

The percentages below represent the target allocation of the Fund's assets to each sub-adviser's strategy and Russell Investments' positioning strategies.

SUB-ADVISER	ROLE	PREVIOUS FUND TARGETS	CURRENT FUND TARGETS
ClariVest Asset Management	Market-oriented	29.00%	0.00%
Foyston Gordon & Payne Inc.	Large Cap Value	13.00%	13.00%
Foyston Gordon & Payne Inc.	Small Cap Value	4.00%	4.00%
Galibier Capital Management Ltd.	Growth at a Reasonable Price	13.00%	18.00%
Scheer, Rowlett & Associates Investment Management Ltd.	Relative Value	19.00%	22.00%
Picton Mahoney Asset Management	Growth	0.00%	20.00%
Russell Investments	Active Positioning Strategy & Liquidity reserve*	22.00%	23.00%

Sub-advisers listed are current as of April 2021. Russell Investments has the right to engage or terminate a sub-adviser at any time and without notice.

\* Liquidity Reserve is a cash account that supports day-to-day cash flow and may be overlaid with derivatives to provide market exposure in order to manage the risk profile of the Fund.

### Effect on Russell Investments Canadian Equity Pool

Russell Investments has completed a thorough proforma analysis of the Fund structure incorporating the recommended manager change(s). Given the new manager's role in the Fund, the Investment Division has determined the Fund's investment objectives, expected returns, and risk parameters will not materially change. The Fund's overall investment objectives, strategies and principal risks will remain consistent with the Fund's description as it appears in the prospectus.

The proposed changes result in no expected changes in market risk and only a modest increase in active risk, with a slightly higher proportion of risk coming from specific stocks, which is viewed favorably.

Sector deviation and industry contribution to active risk do not meaningfully change and will continue to be managed using the Active Positioning Strategy.

For more information about Russell Investments Canadian Equity Pool, please contact us at 1-888-509-1792 or by email at [canada@russellinvestments.com](mailto:canada@russellinvestments.com).

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### **Important information**

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

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Please remember that all investments carry some level of risk, including the potential loss of principal invested. They do not typically grow at an even rate of return and may experience negative growth. As with any type of portfolio structuring, attempting to reduce risk and increase return could, at certain times, unintentionally reduce returns.

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Positioning strategies are customized portfolios directly managed by Russell Investments for use within the total portfolio. Portfolio managers use positioning strategies to seek excess return and manage portfolio risks by targeting specific exposures. The Russell Investments positioning strategy allocation includes the Fund’s liquidity reserve.

Russell Investments is the operating name of a group of companies under common management, including Russell Investments Canada Limited. Russell Investments’ ownership is composed of a majority stake held by funds managed by TA Associates with minority stakes held by funds managed by Reverence Capital Partners, Russell Investments’ management and Hamilton Lane Incorporated.

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