



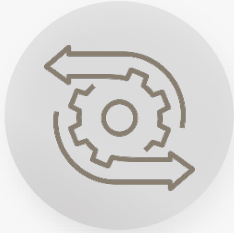
# Dynamic Private Investment Pools

Presenter's name

Presenter's title



# Dynamic Private Investment Pools: Inspired by you. Created for you.



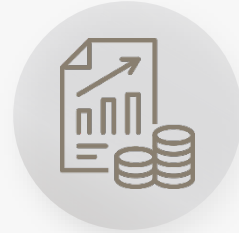
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We created Dynamic Private Investment Pools in 2014 to offer Dynamic's active management in competitively priced pools.



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Dynamic Private Investment Pools aim to help you build better portfolios and to put active management within reach.



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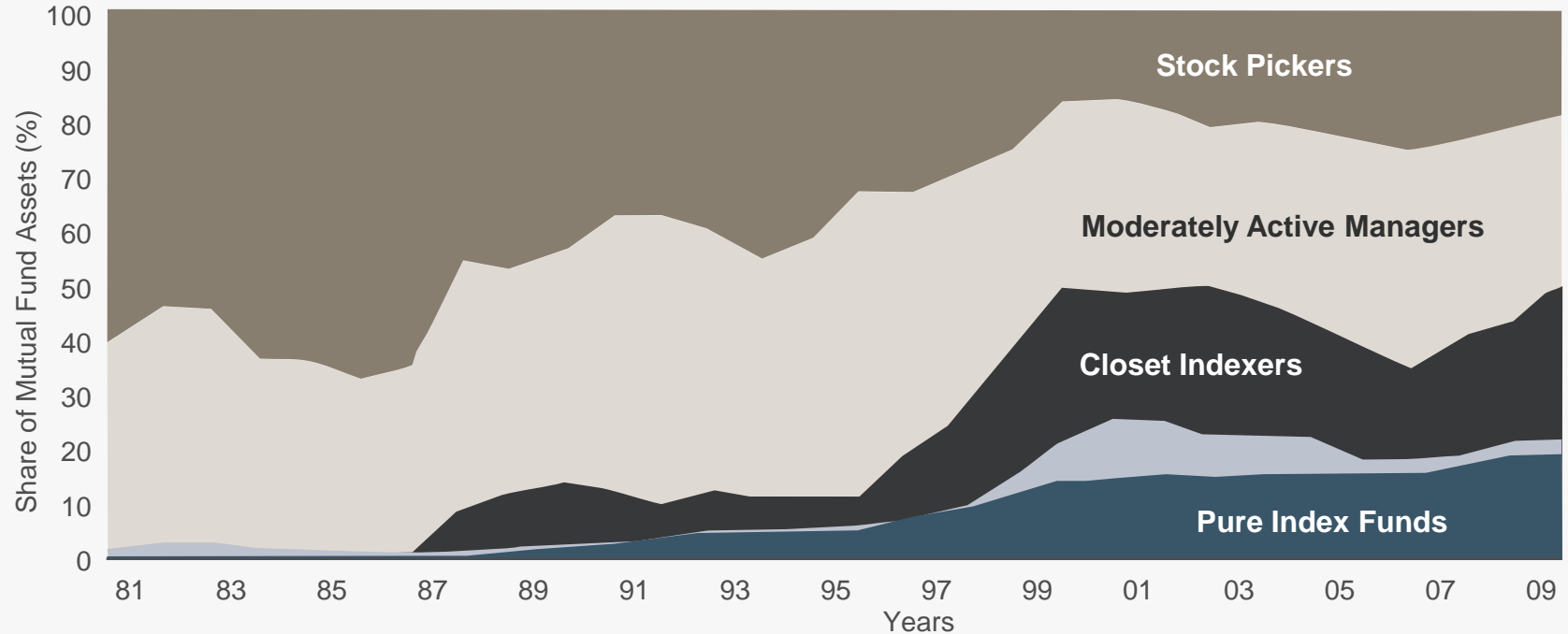
The Pools feature our experienced portfolio managers in multi-investment strategies, and remain one of our most popular product offerings, with over \$6 billion in assets.



# The rise of closet-indexing

Since the early 90s, closet-indexing has become more prominent than pure passive investing

## Evolution of active share (1980 – 2009)



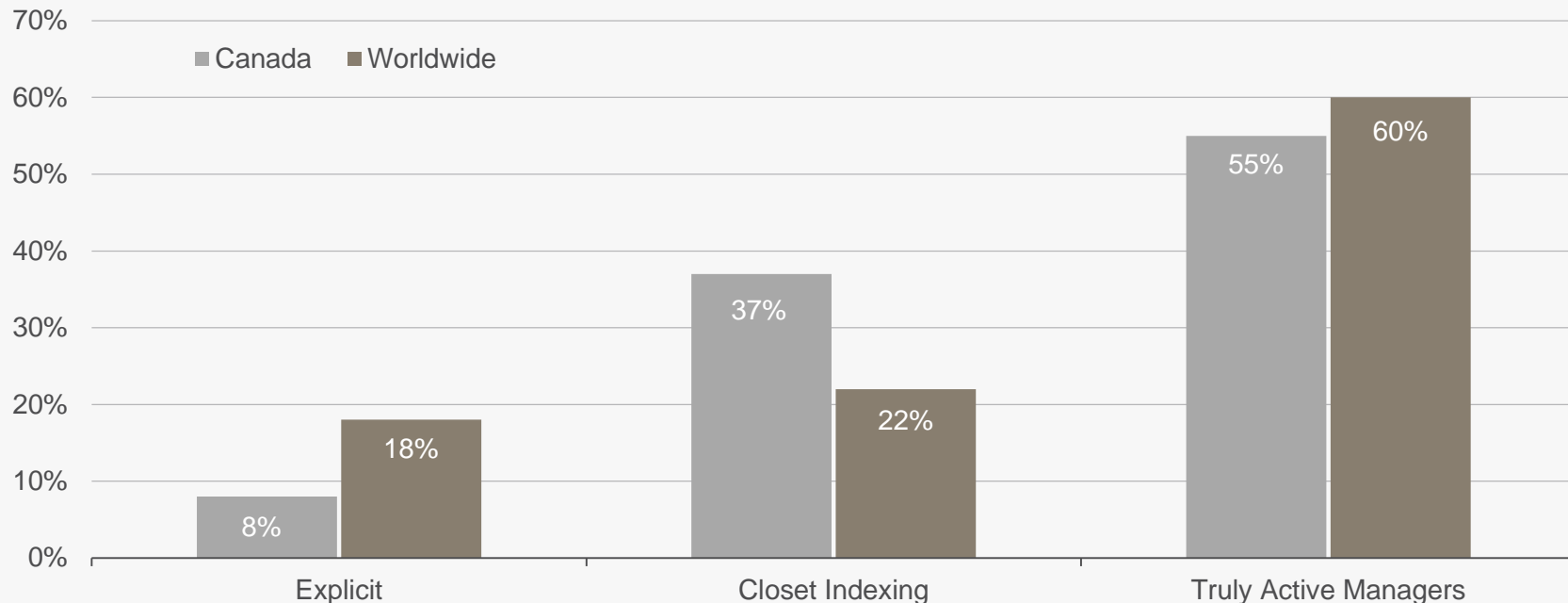
Source: Petajisto, Active Share and Mutual Fund Performance, Financial Analysts Journal, 2013

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# Closet-indexing continues to be pervasive in Canada

Its important to look under the hood of your mutual fund to ensure you get what you pay for

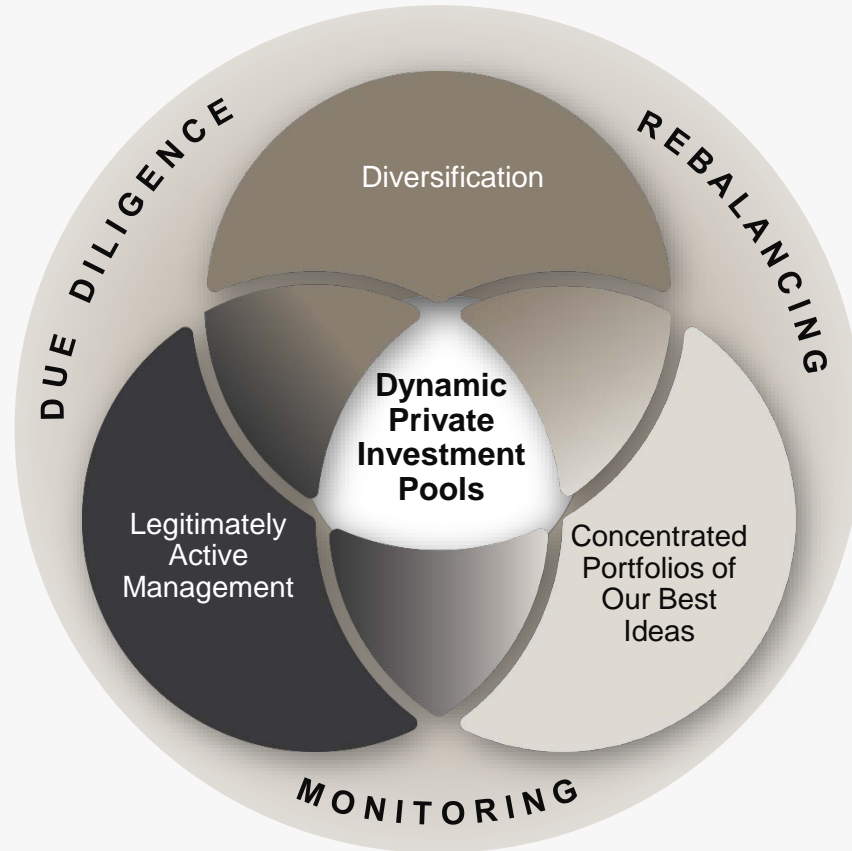
Open-ended equity mutual funds market share (% total net assets, 2010)



Source: Cremers, Martijin, "Indexing and Active Fund Management: International Evidence", Ferreira, Matos, Starks, 2010.

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# The art and science of diligent portfolio construction



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# The art and science of diligent portfolio construction



## Legitimately active management

Active investment approach that uncovers opportunity beyond the index



## Advantageous synergy

Combine managers with distinct investment styles in order to reduce volatility



## Concentrated portfolios of our best ideas

Each manager focuses on no more than 15-25 securities (US equity 20-40, Dividend Pools 30-60)

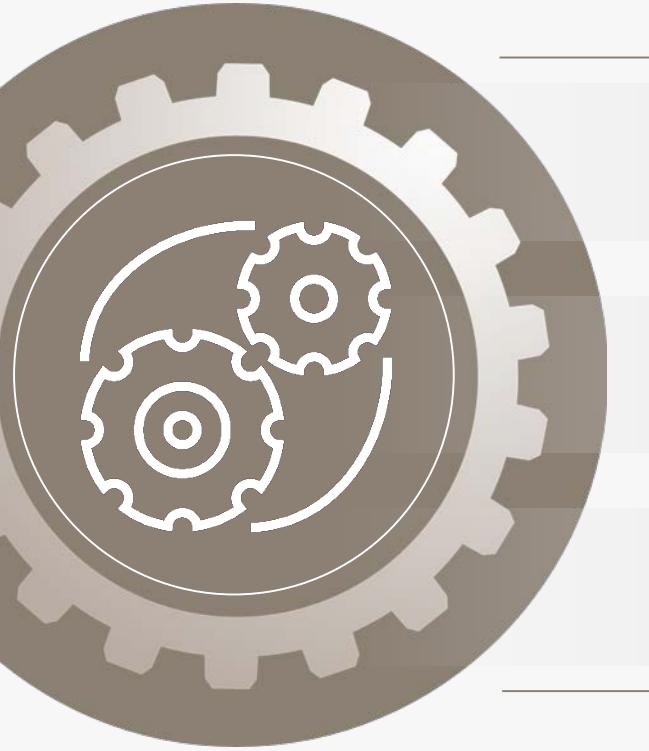


## Rigorous oversight

Quarterly reviews conducted at both the manager and overall Pool level.

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# Legitimately Active Management™



We consider active management to be the cornerstone of exceptional portfolio construction

A portfolio can only outperform the benchmark if it does not look like the benchmark

We measure active management through active share

# Active Share

A key factor in highlighting active managers

**Active Share** measures the proportion of a portfolio's holdings that is different from its index.

**High active share** means the manager is actively exploiting opportunities that are not reflected in the index.

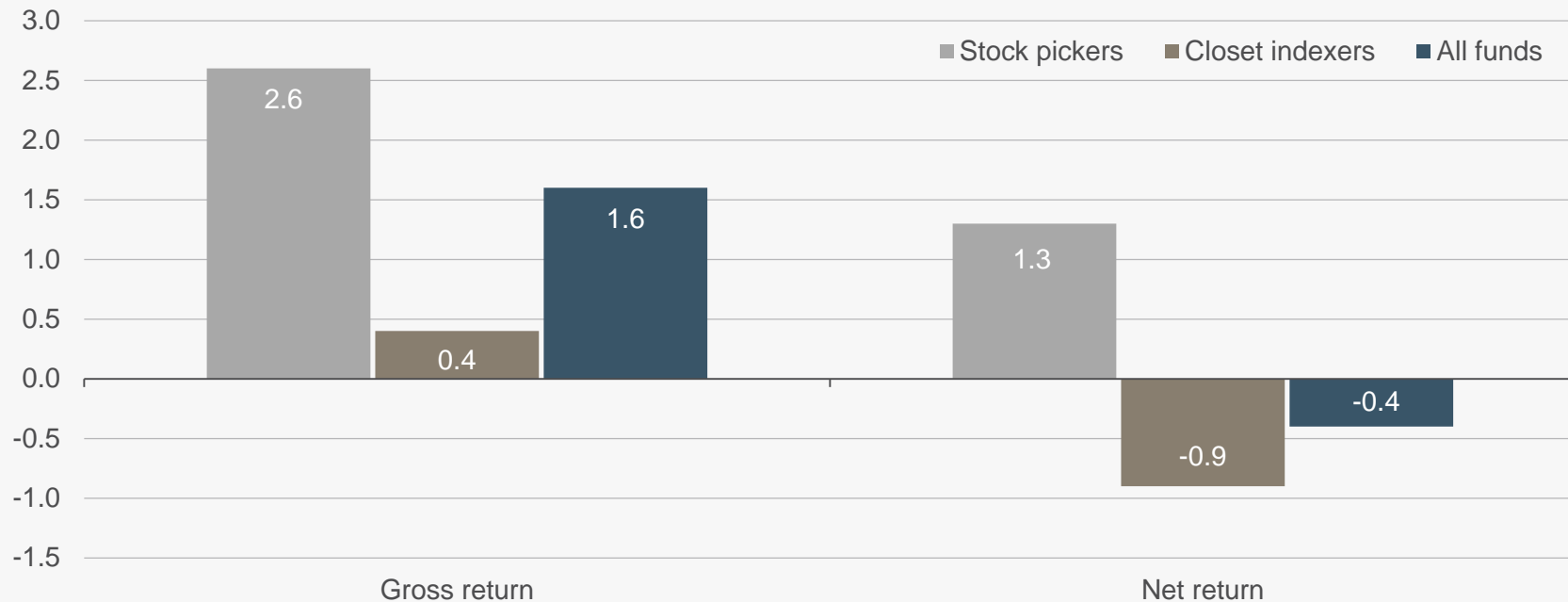




# Active management matters

Research has shown that stock pickers returns outpace closet indexers

## Fund performance 1990 – 2009 (%)



Source: Financial Analyst Journal, vol. 67, no 6: "Active Management in Mostly Efficient Markets", Jones, Robert and Russ Wermers, 2011.

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# Concentrated portfolios of our best ideas

We believe in the value of **concentrated portfolios** and investing with high conviction



Each manager focuses on no more than **15-25 securities**<sup>1</sup>

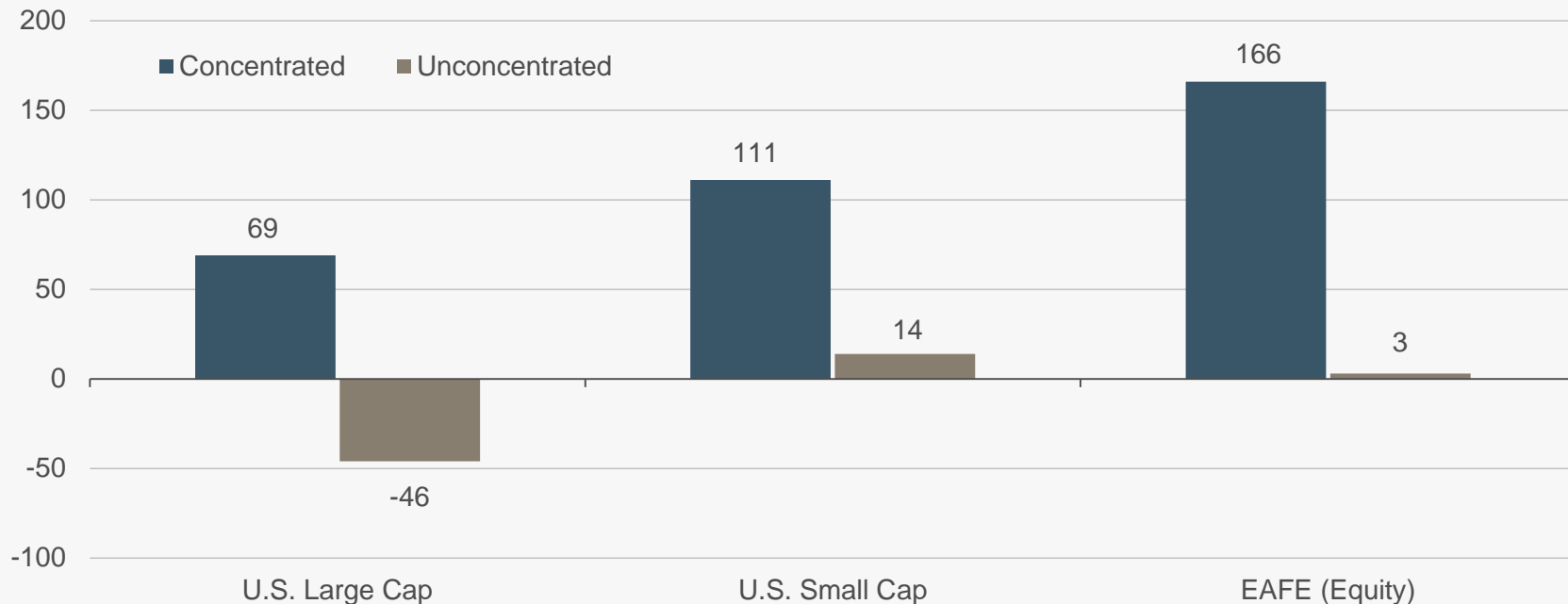
Investing with conviction requires a rigorous process starting with **diligence, meticulous analysis and experience**

<sup>1</sup> US equity 20-40 and Dividend Pools 20-50.

# Does concentration matter over the long-term?

Adding or subtracting one security makes a difference in concentrated portfolios

Implied net annual value added (basis points)



Source: Cambridge Associates LLC, eVestment Alliance, Frank Russell Company, MSCI.

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# Concentration requires a rigorous and selective process

With 15-25<sup>1</sup> securities in each Pool strategy, the scrutiny generates a high-conviction portfolio

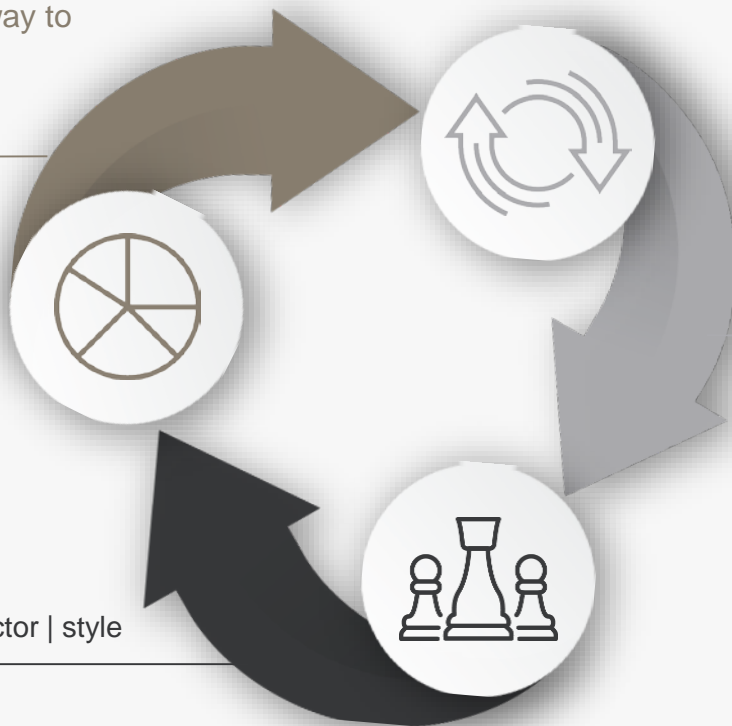


<sup>1</sup>(US equity 20-40, Dividend Pools 30-60)

# Advantageous synergy

We believe that the best way to combat market turbulence is to be prepared with a **well-diversified portfolio**

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We purposefully combine managers with distinct complementary investment styles with an aim to **minimize risk** and **capitalize on positive market trends**

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The Pools offer a multi-investment strategy that is **diversified by** asset class | geography | sector | style

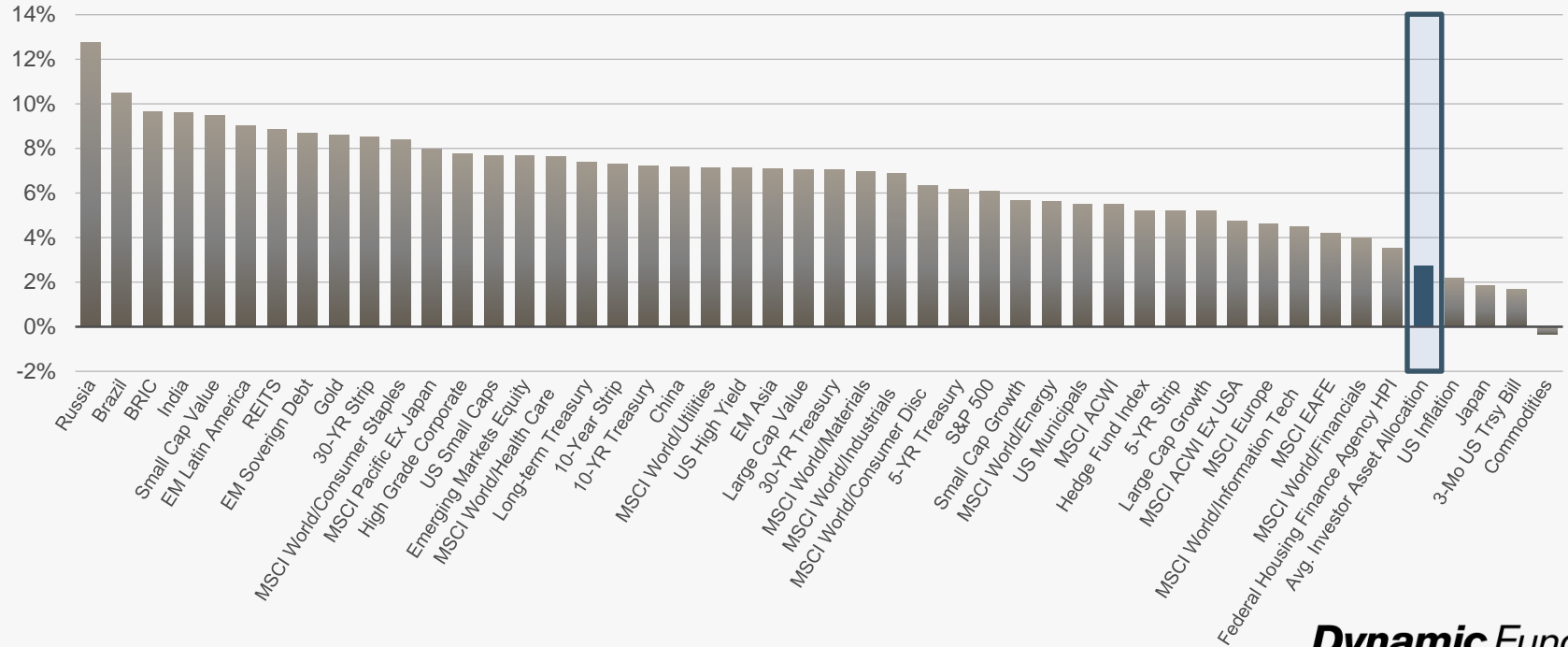
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# Win by preparing, not reacting to market events

“Diversification first” is the strategy of doing something now in order to do nothing later

Asset class returns vs. the "average investor" – 20 years annualized USD\$ (12/31/1999 - 12/31/2019)



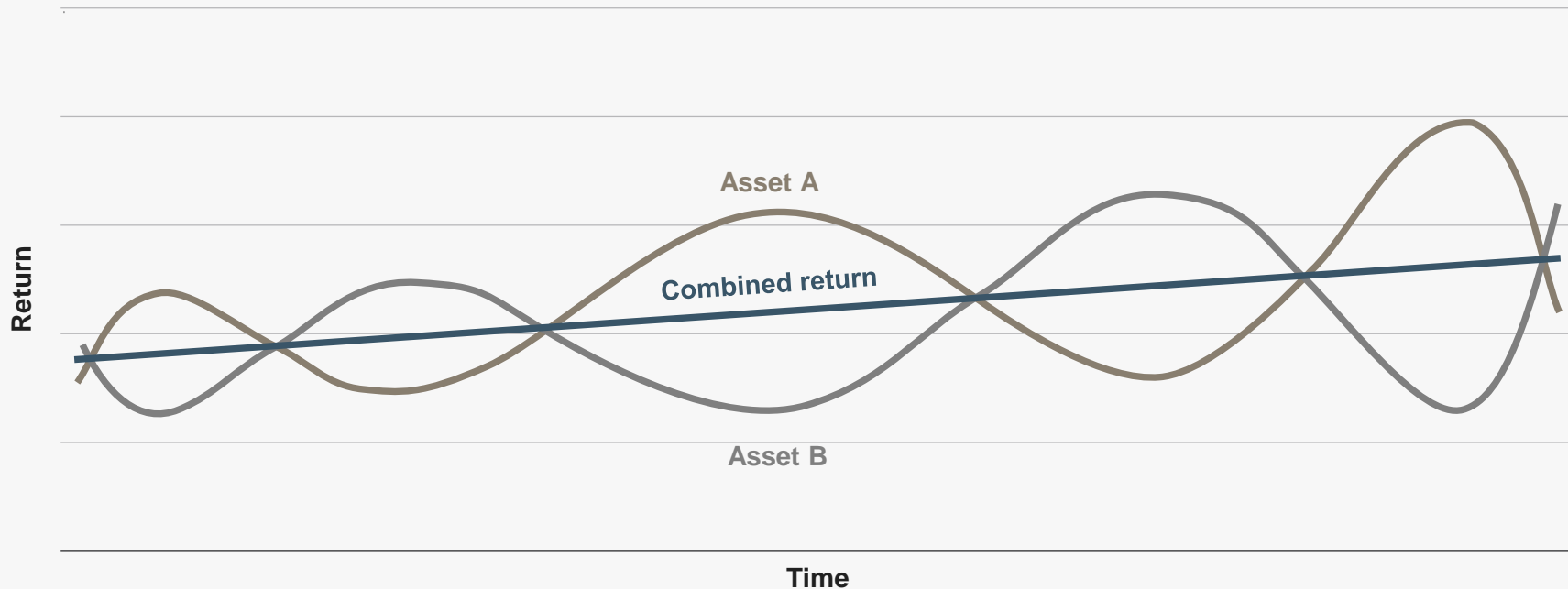
Source: Study from Dalbar December 2019 Quantitative Analysis of Investor Behaviour, Bloomberg, Morningstar, as of Dec. 31, 2019

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# Enhance diversification with complementary strategies

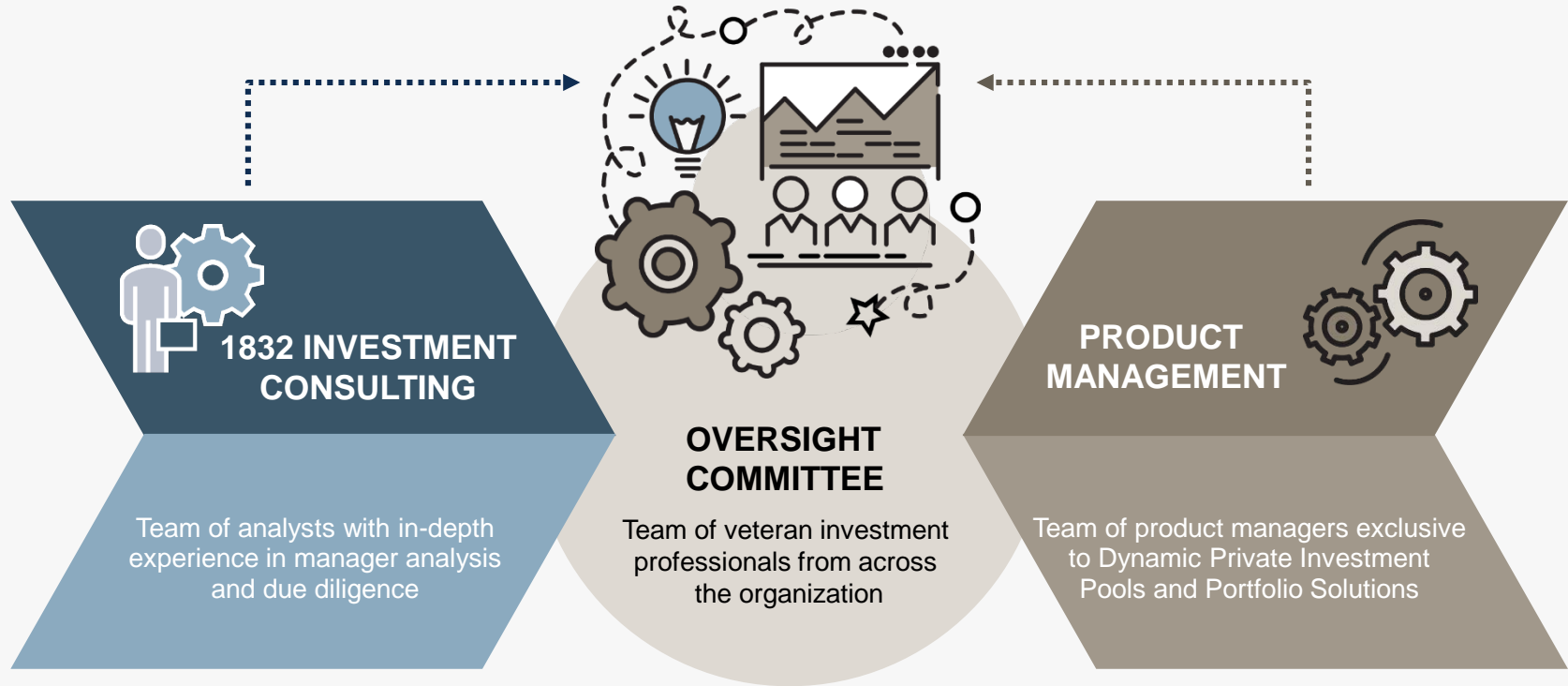
Volatility can be mitigated by combining portfolio managers with low correlation to each other

## Asset class diversification



For illustrative purposes only.

# Oversight committee and supporting partners





# Rigorous monitoring process at the manager and Pool level



Rebalancing when allocations deviate  $\pm 3\%$  to ensure adherence to strategic target weights



Fixed income/equity mix reviewed quarterly and may be adjusted by  $\pm 5\%$



Manager allocations reviewed annually

# Differentiated choice – 17 Pools across 14 mandates

## ALTERNATIVE

Dynamic Alternative Managed Risk Private Pool Class

**new**

Dynamic Liquid Alternatives Private Pool

## FIXED INCOME

Dynamic Active Core Bond Private Pool

Dynamic Tactical Bond Private Pool

Dynamic Premium Bond Private Pool/Class

Dynamic Active Credit Strategies Private Pool

## BALANCED INCOME

Dynamic Conservative Yield Private Pool/Class

Dynamic Global Yield Private Pool/Class

## ASSET ALLOCATION

Dynamic Asset Allocation Private Pool

## DIVIDEND

Dynamic North American Dividend Private Pool

Dynamic International Dividend Private Pool

## EQUITY

Dynamic Canadian Equity Private Pool Class

Dynamic U.S. Equity Private Pool Class

Dynamic Global Equity Private Pool Class

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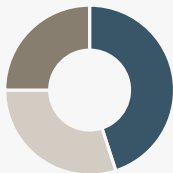
# Differentiated choice

## ALTERNATIVE POOLS



### Dynamic Liquid Alternatives Private Pool<sup>1</sup>

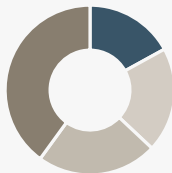
- Actively managed and aims to deliver positive absolute returns that aren't highly correlated to traditional asset classes.



■ Long-short credit	45%
Marc-André Gaudreau	
■ Long-short equities	30%
Noah Blackstein	
■ Alternative income	25%
Damian Hoang	
Tom Dicker,	
Frank Latshaw, Marian	
Benavente,	
Oscar Belaiche	

### Dynamic Alternative Managed Risk Private Pool Class

- Provides exposure to a multi-asset, multi-strategy portfolio with the potential to deliver low volatility U.S. exposure with competitive participation in good markets, attractive income-generation potential and a systematic pivot to risk-reduction in declining markets.



■ Low Volatility Equity	17%
■ Risk Reduction	20%
■ Fixed Income	23%
■ Managed Risk	40%
Damian Hoang	

### Dynamic Active Core Bond Private Pool

- Actively managed and diversified portfolio of primarily Canadian fixed-income securities with an overall credit rating of A- and above.



■ Fixed Income	100%
Derek Amery	

### Dynamic Tactical Bond Private Pool

- Highly flexible total return approach that capitalizes on both interest rate movements and credit opportunities while managing risk.



■ Fixed Income	100%
Romas Budd	

### Dynamic Active Credit Strategies Private Pool

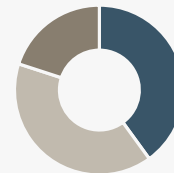
- Actively managed flexible portfolio that can access a broad range of asset classes including high yield bonds, investment grade corporate bonds, bank loans, preferred shares and convertible securities.



■ Fixed Income and Credit	100%
Marc-André Gaudreau	

### Dynamic Premium Bond Private Pool/Class<sup>2</sup>

- One-ticket, high-quality, fixed-income solution with a 20% allocation to an options writing strategy that adds a unique element of diversification.



■ Dynamic Active Core Bond Private Pool	40%
■ Dynamic Tactical Bond Private Pool	40%
■ Dynamic Premium Yield Fund	20%

\*Portfolio allocations are general guidelines. The managers have the flexibility under certain circumstances to deviate from these limits

<sup>1</sup> Until further notice, this Pool is only available to IIROC dealers.

<sup>2</sup> Corporate class version of the Pool is not eligible for purchase within registered accounts or TFSAs.

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# Differentiated choice

## BALANCED INCOME POOLS

### Dynamic Conservative Yield Private Pool/Class<sup>2</sup>

- Access to a broad spectrum of income-producing asset classes with a conservative asset allocation.
- Fixed-income allocation blends different investment strategies and a wide range of risk-management tools.



■ Active Core Bond Strategy Derek Amery	30%
■ Active Credit Strategies Marc-André Gaudreau	20%
■ Tactical Bond Strategy Romas Budd	20%
■ International Dividend Strategy Dana Love	15%
■ North American Dividend Strategy Tom Dicker, Eric Benner, Bill McLeod	15%

### Dynamic Global Yield Private Pool/Class<sup>2</sup>

- Broad diversification amongst complementary income-producing asset classes and investment styles.
- Flexible asset allocation that can shift tactically between fixed-income and equities.



■ Global Dividend Strategy David L. Fingold	20%
■ Canadian Focused Equity Income Strategy Bill McLeod, Oscar Belaiche	15%
■ North American Dividend Strategy Tom Dicker, Eric Benner	15%
■ International Equity Income Strategy Eric Benner	10%
■ Active Core Bond Strategy Derek Amery	13.4%
■ Active Credit Strategies Marc-André Gaudreau	13.3%
■ Tactical Bond Strategy Romas Budd	13.3%

## ASSET ALLOCATION POOL

### Dynamic Asset Allocation Private Pool

- Combines core and complementary asset classes represented by actively managed Dynamic Private Investment Pools.



■ Dynamic Global Equity Private Pool Class	40%
■ Dynamic Canadian Equity Private Pool Class	20%
■ Dynamic Active Core Bond Private Pool	13.4%
■ Dynamic Active Credit Strategies Private Pool	13.3%
■ Dynamic Tactical Bond Private Pool	13.3%

## DIVIDEND POOLS

### Dynamic International Dividend Private Pool

- International equity portfolio of high quality dividend-paying business franchises.
- The Portfolio Manager has the flexibility to allocate between international equity markets while aiming to provide stable monthly income and long-term capital appreciation.



■ Europe	40%
■ Asia Pacific	20%
■ Emerging Markets	40%

Dana Love, Kevin Kaminski,  
Danilo Martins

### Dynamic North American Dividend Private Pool

- Focused on identifying quality dividend-paying securities with an ability to grow their dividend.
- The Portfolio Managers have full flexibility to allocate between Canada and the U.S. while aiming to provide stable monthly income and long-term capital appreciation within a capital preservation philosophy.



■ US Equities	60%
■ Canadian Equities	40%

Tom Dicker, Eric Benner,  
Bill McLeod

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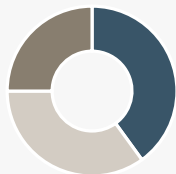
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# Differentiated choice

## EQUITY POOLS

### Dynamic Canadian Equity Private Pool Class

- Tax-efficient and concentrated Pool combines three differentiated Canadian equity investment strategies.



■ <b>Value Strategy</b> Don Simpson, Eric Mencke, Rory Ronan	40%
■ <b>Growth Strategy</b> Vishal Patel	35%
■ <b>Equity Income Strategy</b> Bill McLeod, Oscar Belaiche	25%

### Dynamic U.S. Equity Private Pool Class

- Tax-efficient and concentrated Pool combines two differentiated U.S. equity investment strategies.



■ <b>Quality-Value Strategy</b> Tom Dicker, Eric Benner	60%
■ <b>Growth Strategy</b> Noah Blackstein	40%

### Dynamic Global Equity Private Pool Class

- Tax-efficient and concentrated Pool combines four differentiated global equity investment strategies.



■ <b>Growth Strategy</b> Noah Blackstein	28%
■ <b>Opportunistic Value Strategy</b> David L. Fingold	24%
■ <b>Core Strategy</b> Dana Love, Kevin Kaminski, Danilo Martins	24%
■ <b>Equity Income Strategy</b> Eric Benner	24%

### Dynamic Alternative Managed Risk Private Pool Class

- Provides exposure to a multi-asset, multi-strategy portfolio with the potential to deliver low volatility U.S. exposure with competitive participation in good markets, attractive income-generation potential and a systematic pivot to risk-reduction in declining markets.



■ <b>Low Volatility Equity</b>	17%
■ <b>Risk Reduction</b>	20%
■ <b>Fixed Income</b>	23%
■ <b>Managed Risk</b> Damian Hoang	40%

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