



# **BRIDGEHOUSE**

**INDEPENDENT PLATFORM**

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2022 Interim Management Report  
of Fund Performance

Morningstar Moderate Portfolio



## MORNINGSTAR MODERATE PORTFOLIO

*This interim management report of fund performance contains financial highlights but does not contain the complete interim or annual financial statements of the Fund. The interim or annual financial statements are in a separate booklet. You may obtain a copy of the interim or annual financial statements at your request, and at no cost, by calling toll-free 1.888.861.9998, by writing to us at Bridgehouse Asset Managers, 36 Toronto Street, Suite 850, Toronto, ON, M5C 2C5, or by visiting our website: [www.bridgehousecanada.com](http://www.bridgehousecanada.com) or the SEDAR website: [www.sedar.com](http://www.sedar.com).*

*You may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure relating to the Fund.*

### MANAGEMENT DISCUSSION OF FUND PERFORMANCE

#### Results of Operations from January 1, 2022 to June 30, 2022

##### **Markets & Effect**

For just the second time in 40 years, bonds and stocks both posted losses for two consecutive quarters. For the first half of 2022, domestic stocks, as represented by the S&P/TSX Composite Index, slumped 9.9%, while domestic bonds, represented by the FTSE Canada Universe Bond Index, were down 12.2%. This is an obvious concern for investors as they weigh four key developments: 1) An inflationary squeeze, 2) Rising interest rates, 3) Recessionary preconditions, and 4) Tightening corporate profit margins.

Of the four developments, the primary driver of the 2022 downturn continues to be inflation and the consequential reset in investor expectations. In this regard, uncomfortably high and persistent inflation has spurred central banks to raise interest rates, while the war in Ukraine pushes up energy prices, tangling supply chains, and casting a cloud over the global economy.

Prominently, the U.S. Federal Reserve raised interest rates in May and June by a combined 1.25% and promised more hikes until inflation shrinks toward the 2% goal.

While corporate earnings have remained robust so far, profit margins are under pressure from rising costs and revenue growth is in doubt as consumers rethink their spending plans. High commodity prices are also proving problematic for inflation, as oil prices extend their climb and sit above \$100 a barrel. That said, other key commodities including gold, wheat, and copper have declined, perhaps as a sign of demand-led concerns surrounding the global economy.

Taken together, equities are flirting around "official" bear market levels; however, it remains a fragmented story. At the sector level, energy stocks are the standout performer, while defensive value-oriented areas of the market, including utilities and consumer staples, have lived up to their reputation and held up relatively well during the downdraft. Among the laggards, the dominant trend continues to be the fall of growth stocks.

Looking to emerging markets, we've seen continued weakness, although many emerging countries have held up better than their developed peers. China was one of the few bright spots, following a period of meaningful weakness, as the government provided some regulatory relief for various industries and the country began to re-open after COVID spikes hit major metropolitan areas.

Turning to fixed income, bonds of all kinds ended the second quarter in the red, as the rise in yields and decline in prices seen during the first quarter rolled on. While central banks were raising short-term rates, the bond market pushed long-term rates higher. Long-term bonds continue to take a heavy punch thanks to their vulnerability to rising interest rates. Bond investors are also worried that higher rates might tip the economy into recession, which caused a selloff in credit-sensitive bonds. Bonds with less sensitivity to changes in interest rates are holding up relatively well.

While 2022 so far has been an uncomfortable time with few places to hide, Morningstar believes that following recent losses, the merits of stocks and bonds have improved, with higher yields and a better foundation for future return potential.

##### **Performance**

The Fund's Series A units outperformed its benchmark, losing 11.9% versus a loss of 13.3% for the Morningstar Moderate Benchmark (the "Blended Benchmark").

The Fund returns are after the deduction of fees and expenses while the benchmark returns do not include any costs of investing. See the "Past Performance" section for the returns of the other series, which may vary because of differences in management fees and expenses or timing of series introduction.

##### **Asset Mix**

At June 30, 2022, equity and fixed income funds and ETFs made up 101.4% of the Fund, and approximately -1.4% was in cash and other net assets.

The Manager confirms that the Fund did not borrow money during the period.

### **Flows & Fees**

The Fund's Net Asset Value decreased to \$13.6 million at June 30, 2022, from \$17.2 million at December 31, 2021. Of this change, a decrease of \$1.9 million was due to negative investment performance (net of investment income), and a decrease of \$1.7 million was due to net outflows.

For Series A units, the annualized management expense ratio ("MER") at June 30, 2022 is 2.05%, compared to 2.04% at December 31, 2021.

### **Recent Developments**

There are no known changes at this time to the strategic positioning of the Fund, the manager, or portfolio sub-advisor.

The invasion of Ukraine by Russia on February 24, 2022 has resulted in western economic sanctions being imposed on Russia, notably barring Russian banks from the SWIFT financial messaging system, a key piece of banking infrastructure. In response to sanctions, Russian markets have been closed to all foreign investors. This has caused material volatility in Russian financial markets and impacted liquidity, market access and reliability of security prices. In addition, export embargoes may lead to increased volatility in commodity prices and global supply chain disruptions. It is uncertain how long the conflict, economic sanctions and market instability will continue and whether they will escalate further. The Fund manager and portfolio sub-advisor(s) continue to actively monitor the situation for any impacts on the Fund's existing as well as potential new holdings.

On March 4, 2022, Bridgehouse announced an update to its high-net-worth pricing to include total investments of \$250,000 and greater for the Morningstar Balanced Portfolio, Morningstar Conservative Portfolio, Morningstar Growth Portfolio, and Morningstar Moderate Portfolio (collectively, the "Morningstar Funds"). Effective March 4, 2022, eligible investors in Series A and Series F of the Morningstar Funds will receive management fee distributions of 0.15% for total investments of \$250,000 to \$499,999, and management fee distributions of 0.20% for total investments of over \$500,000.

Effective April 22, 2022, Bridgehouse no longer pays trailing commissions to dealers that do not make a suitability determination, such as order-execution-only ("OEO") dealers, in accordance with the Canadian Securities Administrators' decision to end the payment of trailing commissions to OEO dealers that came into effect on June 1, 2022. Accounts held at OEO dealers are only permitted to purchase or hold securities of Series F of the Fund, which does not pay a trailing commission.

On April 22, 2022, all Series A units of the Fund held in accounts at OEO dealers were switched into Series F at no

cost to the unitholder and without a disposition for tax purposes.

The outbreak of the novel coronavirus, first detected in December 2019, rapidly became a pandemic and resulted in disruptions to the economies of many nations, individual companies and the markets in general. This created closed borders, quarantines, supply chain disruptions and general anxiety, which negatively impacted global markets in an unforeseeable manner. The impact of the novel coronavirus and other such future infectious diseases in certain regions or countries may be greater or less due to the nature or level of their public health responses or due to other factors. Health crises caused by the coronavirus outbreak or future infectious diseases may exacerbate other pre-existing political, social and economic risks in certain countries. The impact of such health crises may be quick, severe and of unknowable duration. This pandemic and other epidemics and pandemics that may arise in the future could result in continued volatility in the financial markets and lead to increased levels of Fund redemptions, which could have a negative impact on the Funds and could adversely affect a Fund's performance.

### **Related Party Transactions**

#### ***Manager and Portfolio Sub-Advisor***

The Fund is managed and advised by Brandes Investment Partners & Co., operating as Bridgehouse Asset Managers ("Bridgehouse") which provides (or arranges for) investment management, distribution, marketing and promotion of the Fund. Bridgehouse receives a monthly management fee based on the daily average net assets of each series of the Fund. In addition, Bridgehouse is entitled to be reimbursed by the Fund for certain operating expenses.

Bridgehouse has retained Morningstar Associates, Inc. ("Morningstar") as the portfolio sub-advisor to the Fund. Bridgehouse pays Morningstar an investment management fee to provide the Fund with investment management services.

#### ***Forward-Looking Statements***

This document may contain forward-looking statements relating to anticipated future events, results, performance, decisions, circumstances, opportunities, risks or other matters. Forward-looking statements are statements that are predictive in nature, depend upon or refer to future events or conditions, or that include words such as "may", "will", "should", "could", "expect", "anticipate", "intend", "plan", "believe", or "estimate" or other similar expressions. These statements require us to make assumptions and are subject to inherent risks and uncertainties. Our predictions and other forward-looking statements may not prove to be accurate, or a number of factors could cause actual events, results, performance, etc. to differ materially from the targets, expectations, estimates or intentions expressed or

implied in the forward-looking statements. These factors could include, among others, market and general economic conditions, interest rates, regulatory and statutory developments, the effects of competition in the geographic and business areas in which the Fund may invest, and the risks detailed from time to time in the Fund's simplified prospectus. Forward-looking statements are not guarantees of future performance. For these reasons, it is important that readers do not place undue reliance on our forward-looking statements and should be aware that the Fund may not update any forward-looking statements whether as a result of new information, future events or otherwise.

### **Benchmark Index**

**Morningstar Moderate Benchmark:** This blended benchmark is weighted 43% FTSE Canada Universe Bond Index, 28% MSCI All Country World ex-Canada Index, 12% FTSE World Government Bond Index, 12% S&P/TSX Capped Composite Index, and 5% FTSE Canada 91 Day T-Bill Index.

## FINANCIAL HIGHLIGHTS

FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND PERIODS ENDED DECEMBER 31, 2017 TO 2021

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the six months ended June 30, 2022 and for the past five periods ended December 31, as applicable. In the year a fund or series is established, 'period' represents inception to December 31 of that year. In all other cases, 'period' represents year ended December 31. Inception date for Series A, F and I is May 17, 2017.

### The Fund's Net Assets per Unit (\$) (note 1)

		Increase (decrease) from operations						Distributions					Net assets, end of period (\$)
		Net assets, beginning of period (\$)	Total revenue (\$)	Total expenses (\$)	Realized gains (losses) for the period (\$)	Unrealized gains (losses) for the period (\$)	Total increase (decrease) from operations (\$) (note 2)	From net investment income excluding dividends (\$)	From dividends (\$)	From capital gains (\$)	Return of capital (\$)	Total annual distribution (\$) (note 3)	
Series A	2022	11.02	0.11	(0.10)	0.04	(1.38)	(1.33)	-	-	-	-	-	9.71
	2021	10.95	0.27	(0.22)	0.48	(0.16)	0.37	(0.05)	(0.01)	(0.16)	(0.07)	(0.29)	11.02
	2020	10.30	0.30	(0.20)	0.13	0.40	0.63	(0.05)	-	-	-	(0.05)	10.95
	2019	9.53	0.34	(0.20)	0.04	0.65	0.83	(0.07)	(0.02)	-	-	(0.09)	10.30
	2018	9.95	0.25	(0.19)	0.10	(0.53)	(0.37)	(0.05)	(0.01)	(0.05)	-	(0.11)	9.53
	2017	10.00	0.28	(0.12)	0.16	0.03	0.35	(0.04)	(0.01)	(0.09)	-	(0.14)	9.95
Series F	2022	11.34	0.12	(0.05)	0.04	(1.41)	(1.30)	-	-	-	-	-	10.03
	2021	11.05	0.26	(0.12)	0.46	(0.13)	0.47	(0.15)	(0.04)	-	-	(0.19)	11.34
	2020	10.39	0.30	(0.11)	0.14	0.43	0.76	(0.15)	-	-	-	(0.15)	11.05
	2019	9.59	0.34	(0.10)	0.03	0.70	0.97	(0.13)	(0.04)	-	-	(0.17)	10.39
	2018	9.97	0.28	(0.10)	0.11	(0.71)	(0.42)	(0.09)	(0.02)	(0.06)	-	(0.17)	9.59
	2017	10.00	0.27	(0.06)	0.15	0.07	0.43	(0.05)	(0.02)	(0.10)	-	(0.17)	9.97
Series I	2022	11.02	0.12	-	0.04	(1.39)	(1.23)	-	-	-	-	-	9.80
	2021	10.99	0.27	-	0.49	(0.16)	0.60	(0.22)	(0.06)	(0.21)	(0.07)	(0.56)	11.02
	2020	10.32	0.30	-	0.13	0.46	0.89	(0.26)	-	-	-	(0.26)	10.99
	2019	9.53	0.34	-	0.04	0.66	1.04	(0.21)	(0.07)	-	-	(0.28)	10.32
	2018	9.88	0.26	-	0.11	(0.60)	(0.23)	(0.13)	(0.03)	(0.06)	-	(0.22)	9.53
	2017	10.00	0.19	-	0.07	(0.06)	0.20	(0.17)	(0.05)	(0.11)	-	(0.33)	9.88

- The financial information presented in the Net Assets per Unit table is derived from the Fund's audited financial statements.
- Net Assets and distributions are per Unit of a series are based on the actual number of units outstanding for that series at the relevant time. The Increase (Decrease) from Operations per Unit of a series is based on the weighted average number of units outstanding for that series during the financial period.
- Distributions per Unit of a series are based on the number of units outstanding for the series on the record dates for the distributions. Distributions were paid in cash/reinvested in additional units of the Fund or both.

## Ratios and Supplemental Data

		Net asset value (\$000) (note 4)	Number of units outstanding (000) (note 4)	Management expense ratio (MER) (%) (note 5)	MER before waivers or absorption (%) (note 5)	Portfolio turnover rate (%) (note 6)	Trading expense ratio (%) (note 7)	Net asset value per unit (\$)
Series A	2022	7,962	820	2.05	2.36	9.49	0.06	9.71
	2021	10,604	962	2.04	2.18	22.99	0.06	11.02
	2020	10,368	947	2.04	2.17	47.99	0.09	10.95
	2019	9,249	898	2.07	2.22	21.65	0.07	10.30
	2018	6,399	671	2.02	2.26	29.93	0.13	9.53
	2017	2,917	293	2.05	2.45	62.66	0.14	9.95
Series F	2022	5,021	501	1.09	1.40	-	-	10.03
	2021	5,862	517	1.09	1.24	-	-	11.34
	2020	8,916	807	1.08	1.24	-	-	11.05
	2019	8,162	786	1.11	1.27	-	-	10.39
	2018	6,461	674	1.06	1.30	-	-	9.59
	2017	968	97	1.09	1.50	-	-	9.97
Series I	2022	640	65	0.08	0.08	-	-	9.80
	2021	769	70	0.07	0.07	-	-	11.02
	2020	718	65	0.07	0.07	-	-	10.99
	2019	649	63	0.09	0.09	-	-	10.32
	2018	453	48	0.06	0.06	-	-	9.53
	2017	153	15	0.06	0.06	-	-	9.88

- The financial information presented in the Ratios and Supplemental Data table is derived from the Fund's Net Asset Value and is provided as at December 31 of the years shown.
- The management expense ratio ("MER") is calculated as the total management fees and operating expenses paid by each series of the Fund, including GST/HST and interest and excluding commissions and other portfolio transaction costs, and the Portfolio's proportionate share of the MER, if applicable, of the Underlying Funds and Exchange Traded Funds in which the Portfolio has invested, allocated to that Series, and is expressed as a percentage of the average daily Net Asset Value of each series of the Fund on an annualized basis. Any management fee distributions paid by a series of the fund that effectively reduced management fees payable by some unitholders are not deducted from expenses to determine the overall MER of that series. The Manager, at its sole discretion, waives management fees or absorbs expenses. Such waivers and absorptions can be terminated at any time. The MERs of the Fund are shown both with and without the waiver and absorptions.
- Portfolio turnover rate is calculated at the Fund level based on the lesser of purchases or proceeds of sales of securities for the period, excluding cash, short term notes and bonds having maturity dates at acquisition of one year or less, divided by the average value of the portfolio securities for the period. The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor 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 in the course of the year. The higher a Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a Fund.
- The trading expense ratio represents total commissions and other portfolio transaction costs, including the Portfolio's proportionate share of the commissions, if applicable, of the Underlying Funds and Exchange Traded Funds in which the Portfolio has invested, expressed as an annualized percentage of daily average Net Asset Value of the Fund. The trading expense ratio is calculated at the Fund level and applies to all series of the Fund.

## MANAGEMENT FEES

Bridgehouse Asset Managers, the Manager, provides or arranges for investment management, distribution, marketing and promotion of the Fund. In consideration for the services provided, Bridgehouse Asset Managers receives a monthly management fee based on the daily average Net Asset Value of Series A and Series F. Management fees for Series I are negotiated and paid directly by the unitholders of Series I, not by the Fund.

For the six months period ended June 30, 2022, the Fund paid Bridgehouse Asset Managers management fees of \$102,637. Bridgehouse uses these management fees to pay for commission payments to registered brokers and dealers and general investment management expenses. The breakdown (commission payments / investment management, administration and other) as a proportion of the management fee for each Series are:

- Series A (49% / 51%)
- Series F (0% / 100%)
- Series I (0% / 100%)

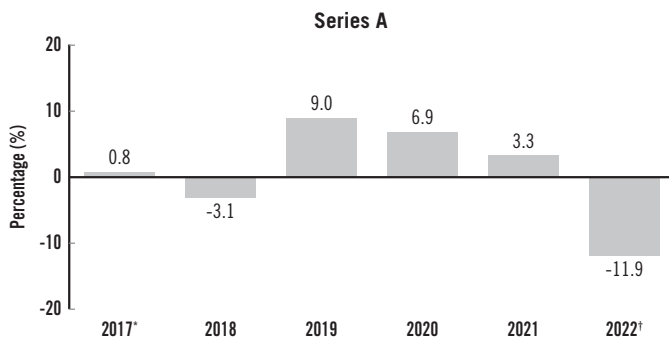
Commission payments represent cash commissions paid by Bridgehouse Asset Managers to registered brokers and dealers during the period and includes upfront deferred sales charge and trailing commissions. This amount may, in certain circumstances, exceed 100% of the fees earned by the Bridgehouse Asset Managers during the period. For new Funds or Series the amount presented may not be indicative of longer term operating periods.

## PAST PERFORMANCE

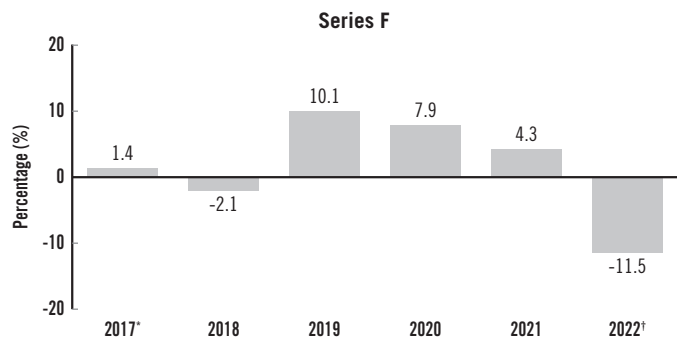
This section shows the historical performance for each series of the Fund for the six months ended June 30, 2022 and each of the previous annual periods ended December 31. Historical performance is based on the change in Net Asset Value per unit, assuming reinvestment of all distributions. Management fees and operating expenses have been taken into account before calculating performance, except in the case of Series I units where the management fee is calculated outside of the Fund. Series I performance does take into account embedded management fees and operating expenses from underlying investments that the Fund may hold. Historical performance does not take into account the potential impact on returns of purchases, redemptions, distribution fees or other optional charges or income taxes payable by an investor. Keep in mind that past performance does not necessarily indicate how the Fund will perform in the future.

### Year-by-Year Returns (%)

The bar chart shows the Fund's annual performance for each of the years shown. The bar chart shows how the performance of each series of the Fund has changed from year to year. It illustrates in percentage terms how much an investment in each series of the Fund made on January 1 of each year, or on the inception dates, would have grown or decreased by the last day of each financial year. 2022 data presented below is for the six-month period ended June 30, 2022.

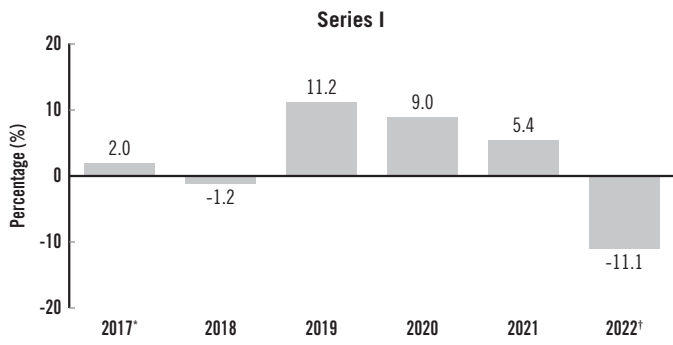


\*2017 Series A returns are from May 17, 2017  
 †Six-month return from January 1 to June 30, 2022.



\*2017 Series F returns are from May 17, 2017  
 †Six-month return from January 1 to June 30, 2022.





\*2017 Series I returns are from May 17, 2017

†Six-month return from January 1 to June 30, 2022.

## SUMMARY OF INVESTMENT PORTFOLIO AS AT JUNE 30, 2022

### Top 25 Positions

The portfolio does not contain any short positions. The investment portfolio may change due to ongoing portfolio transactions of the investment fund. An updated listing is available on a quarterly basis.

Security	Fund (%)
1. BMO Aggregate Bond Index ETF	17.1
2. Leith Wheeler Core Bond Fund Series A	9.9
3. TD Canadian Bond Fund Series O	9.4
4. PIMCO Monthly Income Fund (Canada) Series I	6.0
5. Beutel Goodman Short Term Bond Fund Class I	5.3
6. Capital Group Global Equity Fund (Canada) Series I	5.2
7. Galibier Canadian Equity Pool	5.0
8. Beutel Goodman Core Plus Bond Fund Class I	4.1
9. Templeton Global Bond Fund Series O	4.0
10. Beutel Goodman American Equity Fund Class I	3.7
11. Mackenzie Ivy Canadian Fund Series O	3.5
12. Vanguard S&P 500 Index ETF (CAD-hedged)	2.5
13. Vanguard FTSE Canada Index ETF	2.5
14. Canoe Defensive International Equity Fund Series OX	2.0
15. JPMorgan BetaBuilders Japan ETF	2.0
16. CI International Equity Fund Class I	1.9
17. Vanguard Canadian Short-Term Bond Index ETF	1.8
18. BMO Real Return Bond Index ETF	1.5
19. iShares J.P. Morgan EM Local Currency Bond ETF	1.5
20. Schwab Fundamental Emerging Markets Large Company Index ETF	1.5
21. iShares J.P. Morgan USD Emerging Markets Bond ETF	1.2
22. iShares MSCI EAFE Value ETF	1.2
23. Global X MLP & Energy Infrastructure ETF	1.0
24. Vanguard Consumer Staples ETF	1.0
25. iShares MSCI United Kingdom ETF	1.0
<b>% of Fund</b>	<b>95.8</b>
<b>Total Number of Companies</b>	<b>33</b>
<b>Total Net Asset Value (\$MM)</b>	<b>\$14</b>

The prospectus and other information about the underlying investment funds held in the portfolio are available on the internet at [www.sedar.com](http://www.sedar.com)

### Asset Mix

Asset Class	Fund (%)
Mutual Funds	55.5
Exchange-Traded Funds	40.2
Pooled Funds	5.7
Cash & Cash Equivalent	(1.3)
Other Net Assets	(0.1)
<b>% of Total</b>	<b>100.0</b>

### Industry Exposure

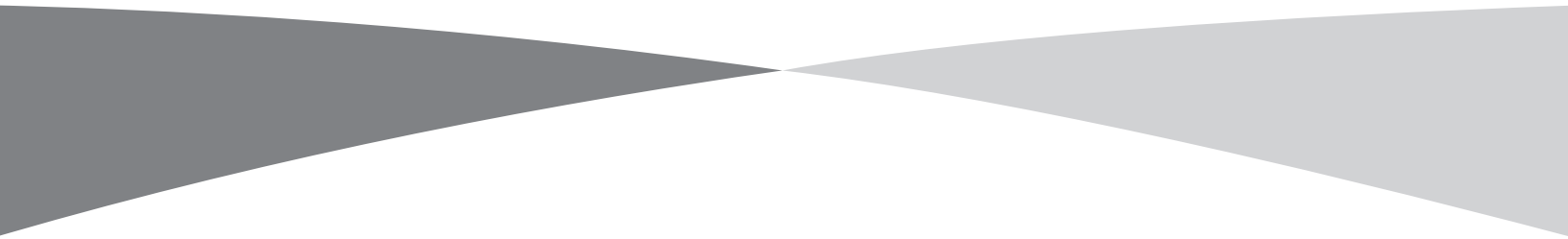
Industry	Fund (%)
Mutual Funds—Canadian Bonds	29.2
Exchange-Traded Funds—Canadian Bonds	20.4
Mutual Funds—Global Bonds	10.0
Mutual Funds—Global Equities	9.1
Exchange-Traded Funds—Global Equities	8.9
Exchange-Traded Funds—U.S. Equities	5.7
Pooled Funds—Canadian Equities	5.0
Mutual Funds—U.S. Equities	3.7
Mutual Funds—Canadian Equities	3.5
Exchange-Traded Funds—Global Bonds	2.7
Exchange-Traded Funds—Canadian Equities	2.5
Pooled Funds—Global Equities	0.7
Cash & Cash Equivalent	(1.3)
Other assets less liabilities	(0.1)
<b>% of Total</b>	<b>100.0</b>
<b>Total Number of Industries</b>	<b>12</b>

### Country Exposure

Country	Fund (%)
Canada—Mutual Funds	32.7
Canada—Exchange-Traded Funds	22.9
Global—Mutual Funds	19.1
Global—Exchange-Traded Funds	11.6
U.S.—Exchange-Traded Funds	5.7
Canada—Pooled Funds	5.0
U.S.—Mutual Funds	3.7
Global—Pooled Funds	0.7
Cash & Cash Equivalent	(1.3)
Other Net Assets	(0.1)
<b>% of Total</b>	<b>100</b>
<b>Total Number of Countries</b>	<b>3</b>

Note: Rounding to one decimal place may result in individual figures totalling more or less than 100%





Brandes Investment Partners & Co. (BIPCo), operating as Bridgehouse Asset Managers® (Bridgehouse), is the manager of the Bridgehouse Funds. Bridgehouse has hired Brandes Investment Partners, L.P. (BIPLP), Sionna Investment Managers Inc., TD Asset Management Inc., Lazard Asset Management (Canada) Inc., Morningstar Associates Inc. and GQG Partners LLC as portfolio sub-advisors in respect of the Bridgehouse Funds. BIPCo and BIPLP are affiliates. Units of the Bridgehouse Funds are available through registered dealers only and are not available through Bridgehouse.

Brandes Investment Partners®



Bridgehouse Asset Managers | [www.bridgehousecanada.com](http://www.bridgehousecanada.com)  
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