



# **BRIDGEHOUSE**

**INDEPENDENT PLATFORM**

---

**Brandes   GQG   Lazard   Morningstar   Sienna**

2022 Annual Management Report  
of Fund Performance

Morningstar Strategic Canadian Equity Fund



## MORNINGSTAR STRATEGIC CANADIAN EQUITY FUND

*This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the Fund. The annual financial statements are in a separate booklet. You may obtain a copy of the 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

#### Investment Objective and Strategies

The objective of the Fund is to achieve long-term capital growth by investing primarily in the equity securities of Canadian issuers.

Morningstar Associates, Inc. ("Morningstar") invests in liquid Canadian companies across the market capitalization spectrum using a disciplined rules-based process based on a combination of diversified factors such as value, quality, reasonable risk and momentum.

The Fund will invest in Canadian companies with allocations limited to 5% at time of purchase, and with a typical exposure of up to 30% in any one Global Industry Classification Standard ("GICS") sector.

#### Risk

As an investor in this Fund, you should be prepared for short-term performance fluctuations, and be a patient, long-term holder.

There were no significant changes to the level or type of risk you would expect from the Fund over the course of the year. It continues to have a medium risk level. Refer to the Fund's simplified prospectus for a complete list of all risks.

#### Results of Operations from January 1, 2022 to December 31, 2022

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

2022 will go down as a very difficult one for investors, following several years of market strength. Over the course of the year, investors were subjected to volatile conditions and there were few places to hide. Nearly every corner of the financial markets posted big losses.

Chief among the challenges were inflation, rising interest rates, recessionary pre-conditions, and geopolitical risk. This created valuation risk, where we saw a meaningful retreat in the amount investors were willing to pay for assets. In the fourth quarter, inflation showed signs of

peaking, which may allow central banks to pare back on their aggressive interest-rate hikes. However, eyes quickly turned to the deteriorating state of the economy, with higher interest rates pinching both households and companies alike.

The Canadian stock market, as represented by the S&P/TSX Composite Index, finished the year down 5.8%. Once again, energy was the top-performing sector, gaining 30.3% on the back of higher oil prices. In contrast, health care and technology sectors suffered substantial declines.

On a positive note, valuations of stock valuations improved meaningfully, sowing the seeds for future returns.

##### **Performance**

The Fund's Series A units trailed its benchmark, losing 8.4% versus a loss of 5.8% for the S&P/TSX Composite Index (the "Index").

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 December 31, 2022, equities made up 97.6% of the Fund, and approximately 2.4% was in cash and other net assets.

One of the the Fund's most significant industry exposure changes was an increase in holdings in media to 6.6% from 2.9% at December 31, 2021.

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

##### **Flows & Fees**

The Fund's Net Asset Value decreased to \$28.2 million at December 31, 2022, from \$39.0 million at December 31, 2021. Of this change, a decrease of \$2.8 million was due to negative investment performance (net of investment income), and a decrease of \$8.0 million was due to net outflows.

For Series A units, the annualized management expense ratio (“MER”) at December 31, 2022 is 1.97%, compared to 1.98% at December 31, 2021.

## Recent Developments

On November 16, 2022 Bridgehouse announced its intention to merge the Morningstar Strategic Canadian Equity Fund into the Sionna Canadian Equity Fund Portfolio to be voted on by securityholders on or about January 24, 2023. The merger was completed on January 27, 2023. All costs and expenses associated with the merger were borne by the Manager. In anticipation of the merger, the Fund was closed to new purchases as of November 25, 2022.

With inflation outpacing expectations, central banks around the world reversed their accommodative stance and began aggressively hiking interest rates in the second half of 2022. Equity markets began to spiral downward in late summer 2022, when it became clear that the world’s most influential central bank, the US Federal Reserve (Fed), would keep interest rates elevated for as long as it took to tame high domestic consumer prices, even if it risked tipping the economy into a recession. The Fed’s aggressive rate hiking led to a significant strengthening of the US dollar, the world’s reserve currency from which many key commodities, such as oil, are priced. While a strong dollar eased some domestic inflation by making imports to the US cheaper, it also, in effect, exported some inflation to other countries, causing economic turmoil in the rest of the world. While a variety of headwinds face stocks and bonds today (elevated inflation, slowing economic growth and recession concerns, energy risk, and political and regulatory risks, just to name a few), the Team believes that the Fund’s overall positioning offers an attractive opportunity for long-term investors.

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.

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 and all Series D units of the Fund, were switched into Series F at no cost to the unitholder and without a disposition for tax purposes.

Effective March 16, 2022, Series D units of the Fund were no longer available for purchase by new or existing unitholders, including purchases made through a pre-authorized purchase plan. Effective April 22, 2022, Series D of the Fund was terminated.

## Related Party Transactions

### *Manager and Portfolio Sub-Advisor*

The Fund is managed and advised by Brandes Investment Partners & Co., operating as Bridgehouse Asset Managers 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**

**S&P/TSX Composite Index:** This index tracks the performance of some of the largest and most widely held Canadian stocks listed on the Toronto Stock Exchange.

## FINANCIAL HIGHLIGHTS

FOR PERIODS ENDED DECEMBER 31, 2018 TO 2022

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 past five periods ended December 31 or, if shorter, the period since the inception of the Fund. 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 September 16, 2016.

### 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	15.25	0.39	(0.28)	0.47	(1.87)	(1.29)	-	(0.07)	-	-	(0.07)	13.91
	2021	12.70	0.38	(0.28)	0.59	1.95	2.64	-	(0.04)	-	-	(0.04)	15.25
	2020	12.33	0.34	(0.23)	0.43	(0.27)	0.27	-	(0.06)	-	-	(0.06)	12.70
	2019	10.49	0.34	(0.23)	(0.13)	2.02	2.00	-	(0.08)	-	-	(0.08)	12.33
	2018	11.92	0.35	(0.23)	(0.33)	(2.05)	(2.26)	-	(0.02)	-	-	(0.02)	10.49
Series F	2022	15.35	0.40	(0.13)	0.48	(1.90)	(1.15)	-	(0.26)	-	-	(0.26)	13.97
	2021	12.77	0.39	(0.12)	0.61	1.89	2.77	-	(0.19)	-	-	(0.19)	15.35
	2020	12.42	0.35	(0.10)	0.43	(0.24)	0.44	-	(0.21)	-	-	(0.21)	12.77
	2019	10.58	0.35	(0.10)	(0.14)	2.13	2.24	-	(0.25)	-	-	(0.25)	12.42
	2018	12.00	0.35	(0.10)	(0.33)	(1.90)	(1.98)	-	(0.11)	-	-	(0.11)	10.58
Series I	2022	15.32	0.31	-	0.01	(0.25)	0.07	-	(0.27)	-	-	(0.27)	14.05
	2021	12.73	0.38	-	0.60	1.92	2.90	-	(0.31)	-	-	(0.31)	15.32
	2020	12.34	0.35	-	0.44	(0.12)	0.67	-	(0.28)	-	-	(0.28)	12.73
	2019	10.45	0.34	-	(0.11)	1.93	2.16	-	(0.27)	-	-	(0.27)	12.34
	2018	11.94	0.36	-	(0.29)	(1.38)	(1.31)	-	(0.29)	-	-	(0.29)	10.45

- 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	10,719	771	1.97	2.06	35.73	0.09	13.91
	2021	14,140	927	1.98	2.08	32.33	0.03	15.25
	2020	13,142	1,035	1.97	2.08	30.46	0.06	12.70
	2019	14,921	1,210	1.97	2.05	49.52	0.07	12.33
	2018	14,962	1,427	1.97	2.07	41.31	0.09	10.49
Series F	2022	17,438	1,248	0.85	0.96	-	-	13.97
	2021	23,845	1,553	0.85	0.98	-	-	15.35
	2020	17,222	1,349	0.85	0.96	-	-	12.77
	2019	20,012	1,612	0.85	0.92	-	-	12.42
	2018	22,305	2,109	0.85	0.92	-	-	10.58
Series I	2022	-	-	0.00	0.00	-	-	14.05
	2021	759	50	0.00	0.00	-	-	15.32
	2020	618	49	0.00	0.00	-	-	12.73
	2019	586	48	0.00	0.00	-	-	12.34
	2018	486	46	0.00	0.00	-	-	10.45

- 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 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 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 year ended December 31, 2022, the Fund paid Bridgehouse Asset Managers management fees of \$336,048. 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 (59% / 41%)
- Series F (0% / 100%)
- Series I (0% / 100%)

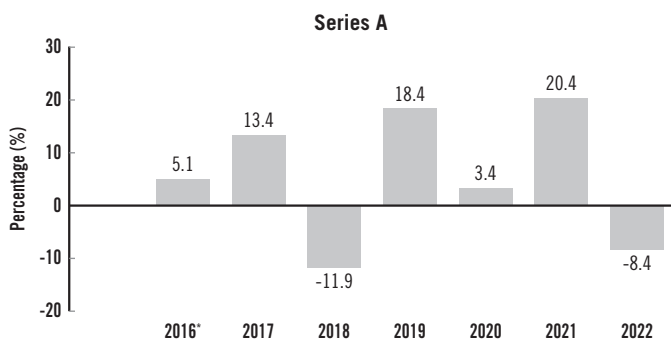
Commission payments represent cash commissions paid by Bridgehouse Asset Managers to registered brokers and dealers during the period and includes upfront deferred sales charge and trailing commissions. This amount may, in certain circumstances, exceed 100% of the fees earned by the Bridgehouse Asset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

## PAST PERFORMANCE

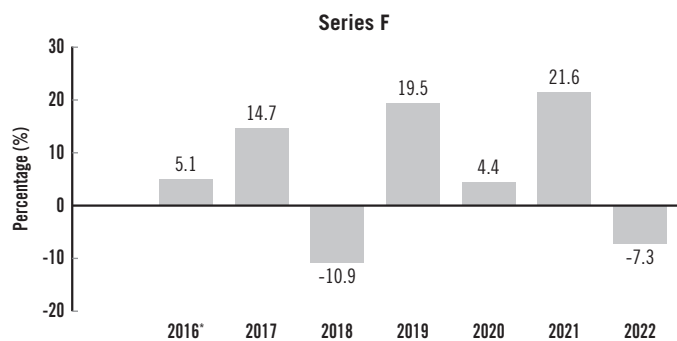
This section shows the historical performance for each series of the Fund for the periods ended December 31. Historical performance is based on the change in Net Asset Value per unit, assuming reinvestment of all distributions. Management fees and operating expenses have been taken into account before calculating performance, except in the case of Series I units where the management fee is calculated outside of the Fund. 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 (%)

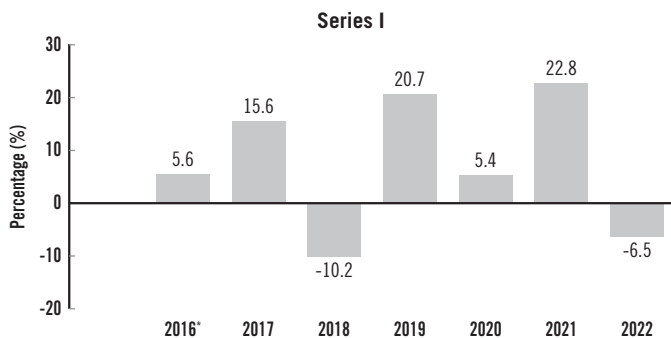
The bar chart shows the Fund's annual performance for each of the years shown. The bar chart shows how the performance of each series of the Fund has changed from year to year. It illustrates in percentage terms how much an investment in each series of the Fund made on January 1 of each year, or on the inception dates, would have grown or decreased by the last day of each financial year.



\*2016 Series A returns are from September 16, 2016



\*2016 Series F returns are from September 16, 2016



\*2016 Series I returns are from September 16, 2016



## Annual Compound Returns (%)

The table shows the historical annual compound total return for each series of the Fund as compared to the benchmarks listed below. The returns are for periods ended December 31, 2022. For a discussion of the relative performance of the Fund as compared to the index, please refer to the “Results of Operations” section in the “Management Discussion of Fund Performance”.

	1 year	3 years	5 years	Since Inception
Series A	(8.35)	4.50	3.54	5.71
Series F	(7.31)	5.69	4.71	6.85
Series I	(6.51)	6.58	5.60	7.79
S&P/TSX Composite Index <sup>1</sup>	(5.84)	7.54	6.85	7.92

<sup>1</sup>“Since inception” corresponds to inception date for Series A, F and I of September 16, 2016

## SUMMARY OF INVESTMENT PORTFOLIO AS AT DECEMBER 31, 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. Quebecor Inc. Cl. B	3.3
2. Cogeco Communications Inc.	3.3
3. Rogers Communications Inc. Cl. B	3.2
4. Stella-Jones Inc.	3.2
5. The Bank of Nova Scotia	3.1
6. Open Text Corporation	3.1
7. Stantec Inc.	3.1
8. Richelieu Hardware, Ltd.	3.1
9. Empire Company Limited Cl. A	3.1
10. Bank of Montreal	3.1
11. TMX Group Limited	3.1
12. The Toronto-Dominion Bank	3.1
13. CCL Industries Inc. Cl. B	3.1
14. BCE Inc.	3.1
15. Sun Life Financial Inc.	3.1
16. Toromont Industries Ltd.	3.1
17. Enbridge Inc.	3.1
18. CGI Inc.	3.1
19. Royal Bank of Canada	3.1
20. Dollarama Inc.	3.1
21. Constellation Software Inc.	3.1
22. ATCO Ltd. Cl. I	3.1
23. CI Financial Corp.	3.1
24. TC Energy Corporation	3.1
25. National Bank of Canada	3.1
<b>% of Fund</b>	<b>78.1</b>
<b>Total Number of Companies</b>	<b>32</b>
<b>Total Net Asset Value (\$MM)</b>	<b>\$28</b>

### Asset Mix

Asset Class	Fund (%)
Canadian Equity	97.6
Cash & Cash Equivalent	2.0
Other Net Assets	0.4
<b>% of Total</b>	<b>100.0</b>

### Industry Exposure

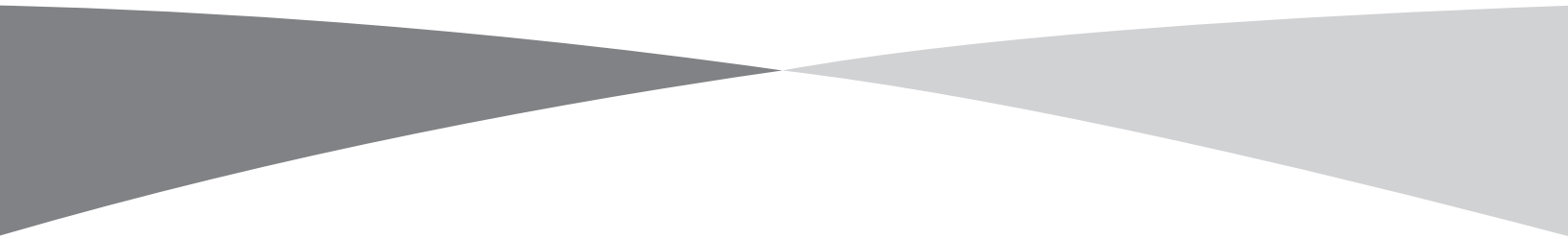
Industry	Fund (%)
Commercial Banks	18.6
Oil, Gas & Consumable Fuels	7.6
Media	6.6
Software	6.2
Diversified Financial Services	6.2
Food & Staples Retailing	6.1
Wireless Telecommunications Services	3.2
Building Products	3.2
Professional Services	3.1
Trading Companies & Distributors	3.1
Containers & Packaging	3.1
Diversified Telecommunications Services	3.1
Insurance	3.1
Machinery	3.1
IT Services	3.1
Specialty Retail	3.1
Multi-Utilities	3.1
Real Estate Management & Development	3.0
Road & Rail	3.0
Food Products	3.0
Electric Utilities	3.0
Cash & Cash Equivalent	2.0
Other Net Assets	0.4
<b>% of Total</b>	<b>100.0</b>
<b>Total Number of Sectors</b>	<b>21</b>

### Country Exposure

Country	Fund (%)
Canada	97.6
Cash & Cash Equivalent	2.0
Other Net Assets	0.4
<b>% of Total</b>	<b>100.0</b>
<b>Total Number of Countries</b>	<b>1</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)  
36 Toronto Street | Suite 850 | Toronto, ON | M5C 2C5 | 416.306.5700 | 888.861.9998