NCM Investments

When it comes to Canadian equities, not all returns are equal.

A conversation with



Keith Leslie CFA

Portfolio Manager,
NCM Core Canadian

October 2026

Keith Leslie, CFA explains why the quality of a return matters and why advisors should look beyond performance alone when comparing Canadian equity funds.



Q: What do you mean by "not all returns are equal"?

Two funds can produce similar returns while taking very different paths to get there.

One manager may need a lot more volatility or downside participation to generate that return. Another may deliver a steadier ride, protect capital better in difficult markets and still add value over time.

Here's some math that surprises people: a fund that earns 5% three years in a row beats one that earns 20% twice and then loses 20%.

EXAMPLE	Starting Value	Year 1 Return	Year 2 Return	Year 3 Return	Ending Value
Fund A (Higher Volitility)	$10,000	+20%	+20%	-20%	$11,520
Fund B (Consistent Returns)	$10,000	+5%	+5%	+5%	$11,576

That is why I don't think advisors should rank funds on performance alone. Return is obviously important, but so is the amount of risk taken to earn it.

For NCM Core Canadian, one of our most important goals is capital preservation. I'm not worried about keeping up in strong markets if we can do materially better when markets fall. I believe that is a recipe for long-term success.

"Return is only one dimension of the outcome."

Q: What other numbers should advisors be looking at?

I would look at alpha, beta, standard deviation and downside capture. Those measures tell you more about how the return was generated. How much market risk did the manager take? How volatile was the experience? How much of the downside did the portfolio capture? And how much value did the manager add above the risk taken?

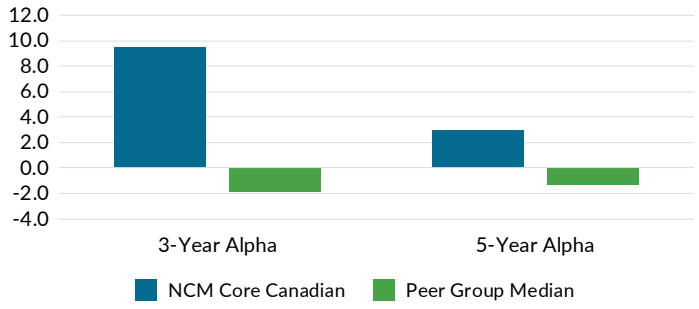
I also think turnover matters. If you are paying for active management, are you actually getting active management?

When we compare NCM Core Canadian with its Canadian equity peer group, we stand out across all of these measures.

This page is not complete without the disclaimer on page 5.

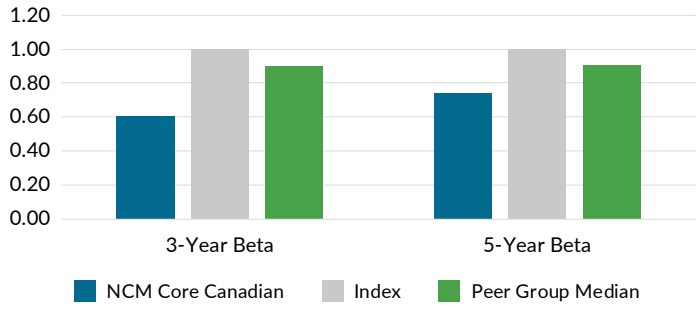
Peer Group Percentile Rankings

Alpha



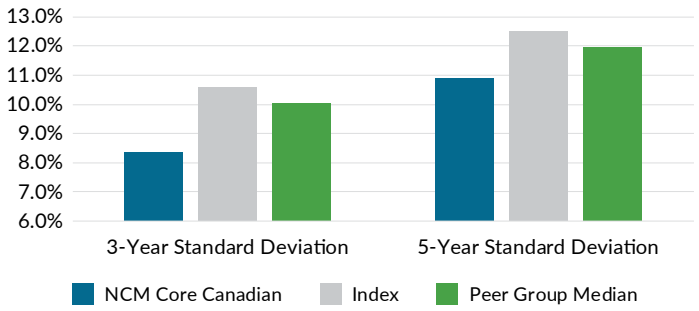
	3-Year Alpha	5-Year Alpha
Percentage of Peer Group Beaten	100.0%	97.0%

Beta



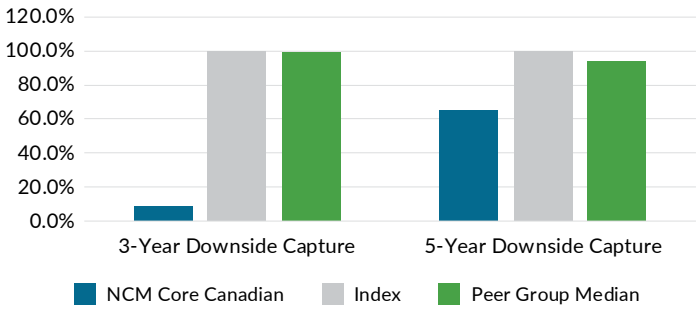
	3-Year Beta	5-Year Beta
Percentage of Peer Group Beaten	92.9%	89.4%

Standard Deviation



	3-Year Standard Deviation	5-Year Standard Deviation
Percentage of Peer Group Beaten	95.6%	81.6%

Downside Capture



	3-Year Downside Capture	5-Year Downside Capture
Percentage of Peer Group Beaten	99.2%	91.3%

As at September 30, 2026. Source: Morningstar. Peer Group: Canada Fund Canadian Equity, Series F
Index: S&P/TSX Composite Total Return Index

Q: Low-volatility stocks have faced a significant headwind. Has the strategy still worked?

Yes, very much. Low-volatility stocks have been through a difficult period relative to the broader market, but we do expect that to normalize over time, which could become a tailwind.

More importantly, NCM Core Canadian is a low vol fund that looks very strong against the mainstream index. As of September 30, 2026, the fund had returned 28.0% over three years and 15.8% annualized over five years, compared with 25.1% and 15.2% respectively for the S&P/TSX Total Return Index. The results are even stronger when compared to the Canadian Equity peer group.

	1 Year	2 Years*	3 Years*	5 Years*	10 Years*	Since Inception
NCM Core Canadian Series F	18.8%	26.6%	28.0%	15.8%	11.3%	11.9%
Peer Group Quartile	1	1	1	1	2	2
% of Peer Group Beaten	83	96	98	95	68	64
Canada Fund Candian Equity	15.8%	19.0%	20.8%	12.8%	10.3%	11.1%

*Annualized
As at September 30, 2026. Source: Morningstar.
Peer Group: Canada Fund Canadian Equity.
Inception: February 17, 2016.

This page is not complete without the disclaimer on page 5.

Q: What kinds of attributes are you looking for?

Our process is factor-based. We are not trying to forecast what the economy or market will do next. We are trying to construct a portfolio with the attributes that, mathematically, we believe give us the best probability of outperforming over time.

"A low vol fund that looks very strong against the mainstream index."

The factors we look at include momentum, valuation, profitability, growth, yield, and lower volatility. The simplest way to describe our approach is Momentum at a Reasonable Price—or MARP.

We want to own companies where good things are happening and move on from companies quickly when there is negative news. We look for positive earnings and price momentum, but we do not want to overpay for that growth. Finally, we favour businesses with consistent and predictable recurring earnings.

The current portfolio attributes show how this plays out. As of September 30, 2026, NCM Core Canadian traded at 13.8 times earnings versus 15.5 times for the S&P/TSX, a 11% discount. Its free-cash-flow yield was 6.4% versus 5.2%, return on equity was 20.1% versus 17.0%, and expected 2027 EPS growth was 12.2% versus 11.5%.

Q: The fund has unusually high turnover. How does that add value?

We trade aggressively around our core positions when market volatility gives us an opportunity. Many Canadian equity funds have low turnover and look similar to the index. We believe that paying close attention to market and stock fluctuations is an important aspect of being an active large cap Canadian manager. We feel that being different than the S&P/TSX and closely monitoring and trading the fund is how we "earn" our management fee.

If we have a 2.5% position in a company we like and the stock drops on no meaningful news, we may temporarily increase that position to 3%. If the stock bounces back, we can rebalance it back down to 2.5%. Alternatively, if a stock spikes without a change in fundamentals, we may trim the position and buy it back if the price comes down again.

"[Advisors] wanted something different, and that's what we have delivered."

That activity has been productive. So far in 2026, trading around core positions involved 143 trades, with an average holding period of six days and an average return of 7.4%. We estimate this trading has added approximately 2.4% to performance YTD.



We are also disciplined about losses. We are more likely to add to winners than chase losers, and we are willing to sell quickly when the facts change. As I like to say, your first loss is your best loss.

Q: How does NCM Core Canadian fit in a portfolio?

When we created the fund, we spoke with advisors about what they believed was missing in Canadian equity. The answers included Canadian-only exposure, low volatility, and active trading designed to take advantage of market volatility.

They wanted something different, and that's what we have delivered. As of September 30, 2026, NCM Core Canadian held 37 positions, had 75% active share, owned only three of the top 10 weighted names in the S&P/TSX and only seven of the top 25.

Because the fund looks so different, it can work as a standalone Canadian equity holding, or as a complement to a more conventional Canadian equity fund or index allocation. It's a strong option for investors who are concerned about downside risk or who want a lower-volatility Canadian equity option.

The bottom line is you don't have to own the same handful of stocks in the same proportions as everyone else. In fact, I don't think you should.

NCM CORE EQUITY	PORTFOLIO MANAGER	INCEPTION	F	A	Z
PDF **NCM CORE CANADIAN** *Canadian Equity*	Keith Leslie, CFA	February 17, 2016	NRP 3500	NRP 3501	NRP 3507

NCM Asset Management Ltd.
Head Office 1800-333 7th Avenue S.W., Calgary, AB T2P 2Z1 | 310-99 Yorkville Avenue, Toronto, ON M5R 3K5
client services: (877) 531-9355 | toll-free: (877) 431-1407 | info@ncminvestments.com | ncminvestments.com

The information in this document is current as of September 30th, 2026 but is subject to change. The contents of this document (including facts, opinions, descriptions of or references to, products or securities) are for informational purposes only and are not intended to provide financial, legal, accounting or tax advice and should not be relied upon in that regard. Particular investments and/or trading strategies should be evaluated relative to the individual's investment objectives and professional advice should be obtained with respect to any circumstance. The viewpoints expressed by the Portfolio Manager represents their assessment of the markets at the time of publication. Those views are subject to change without notice at any time without any kind of notice. The information provided herein does not constitute a solicitation of an offer to buy, or an offer to sell securities nor should the information be relied upon as investment advice. The communication may contain forward-looking statements which are not guarantees of future performance. Forward-looking statements involve inherent risk and uncertainties, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. 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.