



INVESTMENT INNOVATIONS
CONFERENCE 2023: BENEFITS CANADA

Navigating the Global Investment Landscape

Opportunities For Fundamental Investors

Amy Chang, CFA CIPM | November 16, 2023



Meet the presenter

AMY CHANG, CFA CIPM

Managing Director, Active Global Fundamental Equities



Amy is the lead portfolio manager of BCI's Global Fundamental Portfolio. She brings more than 19 years of combined experience in the financial services industry to her role, including nine years on the sell side.

She joined BCI in 2014 as a Senior Associate Portfolio Manager focused on energy infrastructure, power and utilities sectors in Canadian public markets, and is a founding member of the Global Fundamental Strategy at BCI. Amy was appointed as lead portfolio manager (Managing Director) for the Global Fundamental Portfolio in April 2021, taking over the responsibilities and management of the fund.

Prior to BCI, Amy worked in capital markets as an oil and gas research analyst at various brokerages based in Calgary, including National Bank, Canaccord Genuity, and CIBC World Markets. Amy is a Chartered Financial Analyst® charterholder. She graduated from the University of Calgary, where she obtained a Bachelor of Commerce degree.

Today's agenda

BCI's Active Equity Investing Journey 01

Themes and Challenges Impacting
Global Markets 02

Identifying Fundamental Opportunities 03



BCI's Active Equity Investing Journey

BCI at a glance



\$233.0 Billion

in gross assets under management

32

Public Sector
Clients



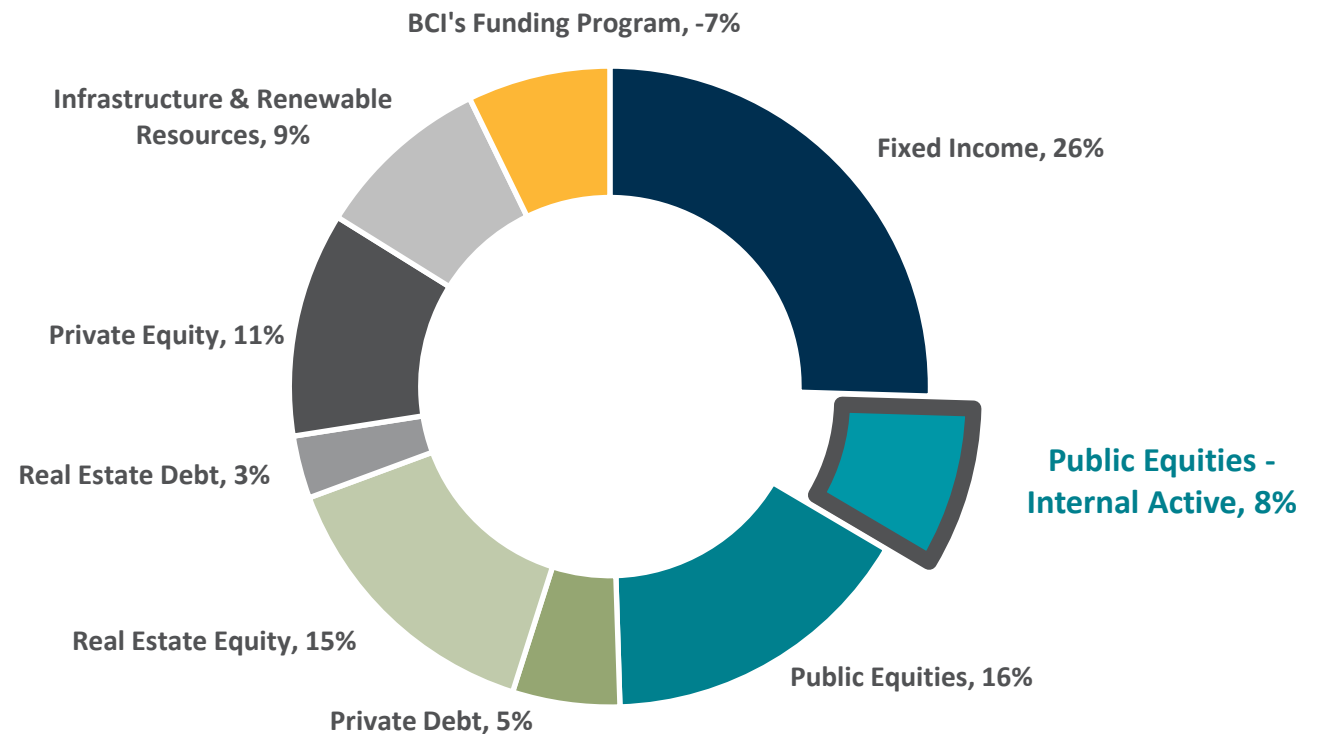
3.5% (Benchmark of 0.3%)

One-year combined
pension plan return

\$4.6 Billion

One-year
added value

TOTAL AUM BY ASSET CLASS

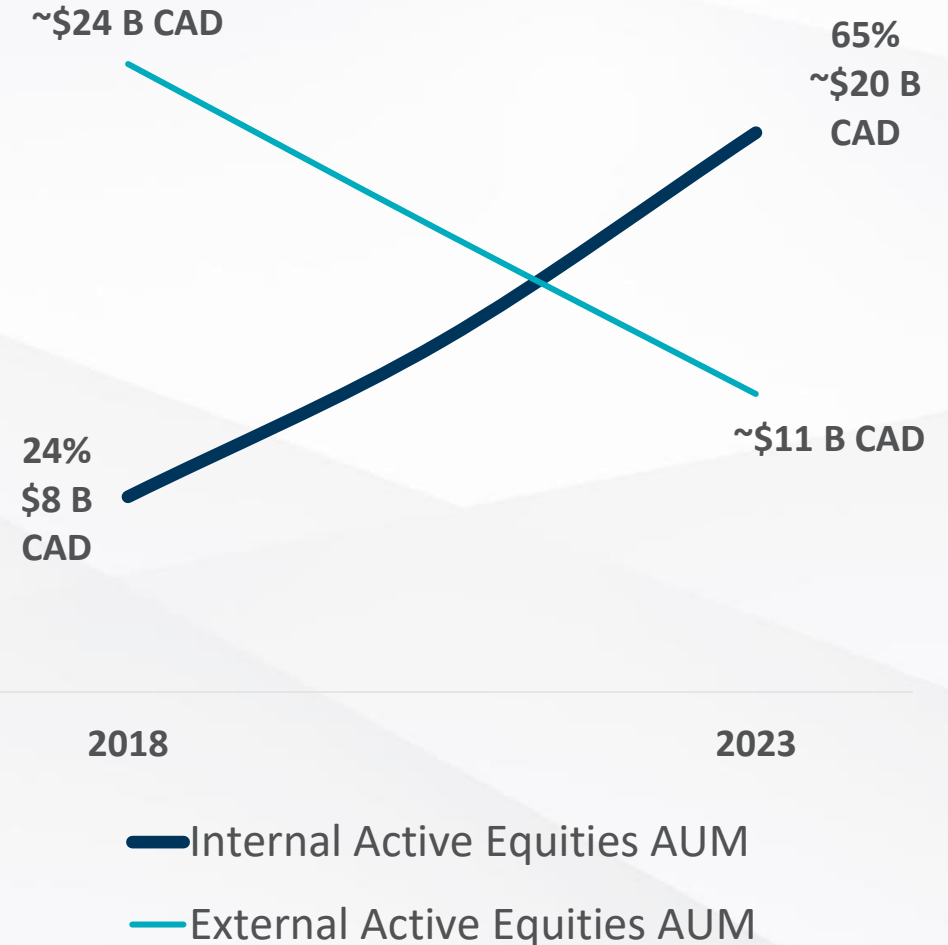


Active Internal Equities: Internalization Journey

Since 2018 Internally Managed Active Equities at BCI has grown significantly

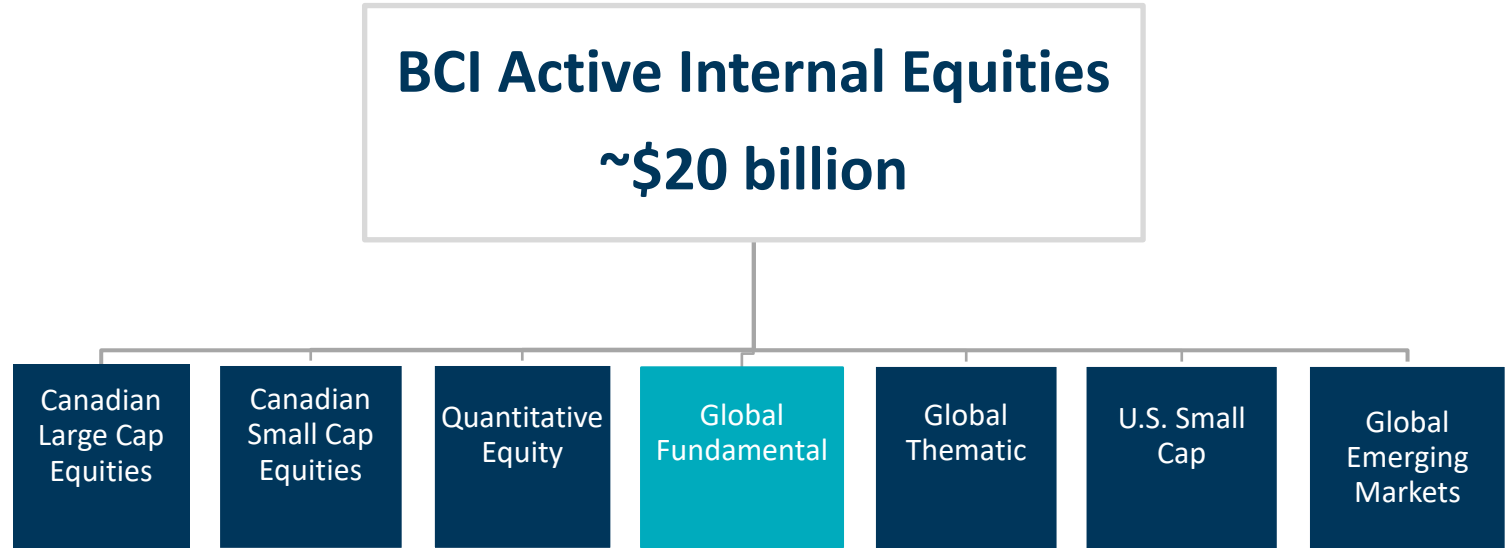
Advantages of managing money internally:

- Complete alignment with client's goals of long-term value creation
- Lower fees and costs relative to external manager mandates
- Systematic investment process provides foundation for capitalizing on opportunities



BCI Active Internal Equities

- Active Internal Equities deploys multi-faceted strategies across geographic, quantitative, fundamental and thematic investment mandates
- Team of 34 investment professionals
- Embraces a strong culture of excellence, performance, integrity, courage and intellectual curiosity (EPICC)





Themes and Challenges Impacting Global Markets

Key Themes

MACRO

- Interest Rates and Foreign Exchange
- Inflation
- Deglobalization
- Infrastructure Investment

GEOPOLITICS

- Russia-Ukraine
- Palestine-Israel
- Commodities
- China

INNOVATION

- Artificial Intelligence
- GLP-1* (Weight Loss Drugs)
- Energy Transition

Source: BCI. *Glucagon-like peptide-1



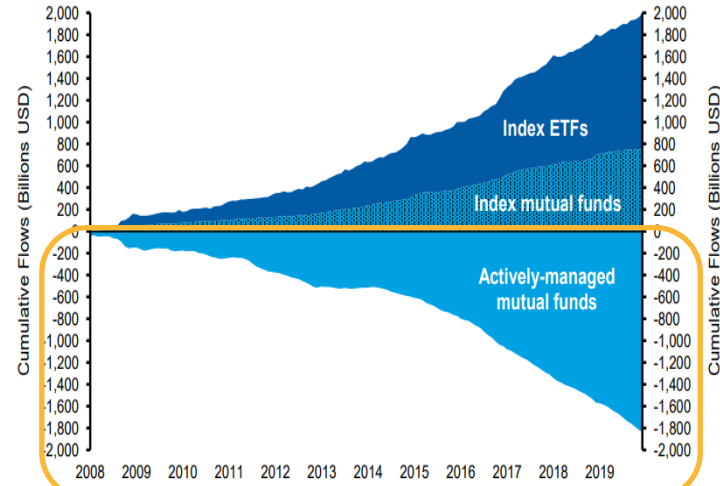
Active Management Challenges

- Megacap and macro dominance
- Funds flow headwinds
- Equity volatility and valuations

Weight of Top 10 Stocks in S&P 500



Cumulative Flows – U.S. Active to Passive Funds



Source: Investment Company Institute.

S&P Valuation (Index P/E versus Equal Weight)

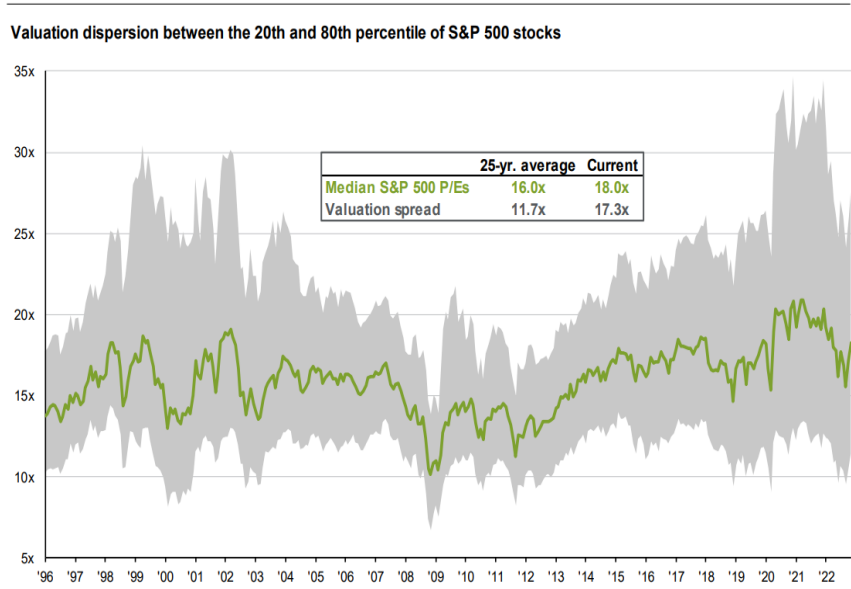


— SPX Index - Price Earnings Ratio (P/E)
 — SPW Index - Adjusted Price/Estimated Earnings

The Opportunity For Active Managers

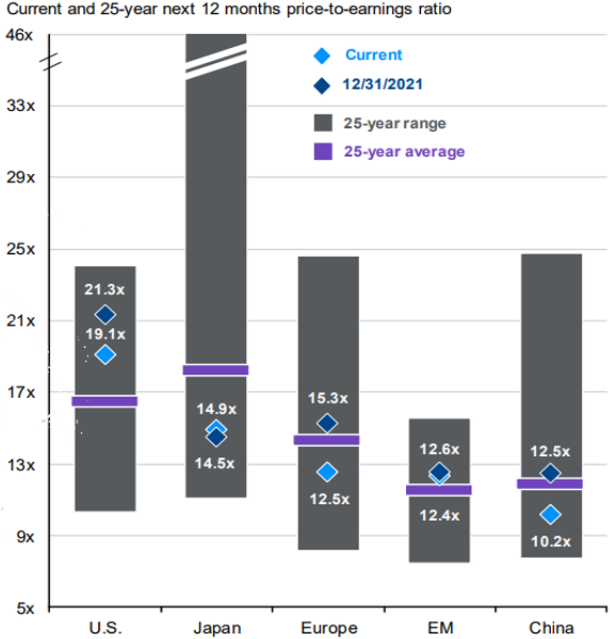
- Valuation dispersions are high
- Global scope expands alpha opportunities

S&P 500 Valuation Dispersions

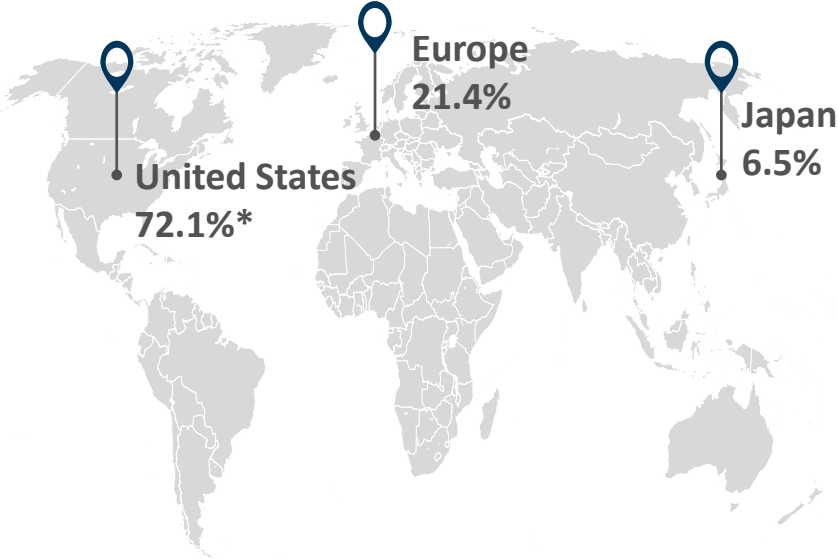


Source: Compustat, FactSet, Standard & Poor's, J.P. Morgan Asset Management. Guide to the Markets - U.S. Data as of June 30, 2023.

Global Valuations



MSCI World Ex Canada Geographic Split





Identifying Fundamental Opportunities

Global Fundamental Portfolio

Investment Philosophy



\$1.8 Billion

In AUM (as of Sep 30 2023)

We invest in global, high-quality companies at reasonable valuations

- ✓ Active Global Fundamental (internal mandate) established in early 2020
- ✓ Concentrated portfolio of 35 to 50 companies, with strong competitive advantages
- ✓ Diversification of client investments with exposure across a minimum of 6 GIC* sectors
- ✓ Investments held for the **long term** value creation and leverages BCI's long-term investment horizon

QUALITY ATTRIBUTES



Profitable



Strong Competitive Advantages



Well Managed



ROIC > WACC

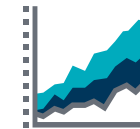


Strong Balance Sheets

VALUATION



Intrinsic Valuation



Historical Valuation



Peer Comparison

Investment Framework

Global Fundamental Research Framework

INDUSTRY ATTRACTIVENESS	BUSINESS STRATEGY & COMPETITIVE ADVANTAGE	MANAGEMENT	ESG	MARGIN OF SAFETY	RED FLAGS
<ul style="list-style-type: none"> • Long term outlook • Barriers to entry • Competitive advantage 	<ul style="list-style-type: none"> • Sustainable returns • LT trend in margins • Capital intensity • Growth profile 	<ul style="list-style-type: none"> • Strategy & execution • Capital allocation • Alignment with shareholders 	<ul style="list-style-type: none"> • Low environmental impact • Social committees/policies • Board compensation/governance risk 	<ul style="list-style-type: none"> • Offers upside based on our valuation assessment 	<ul style="list-style-type: none"> • Regulatory risk • Litigation • Management • Accounting
QUALITY PARAMETERS				VALUATION	

- Quality framework allows continuous comparison of business models through the investment process
- Portfolio construction is based on a compelling risk-reward trade-off of **quality** and **value**

Investment Themes





Global Equity Volatility is Inevitable

The Public Markets strategic initiative to internalize management of assets has been underway for five years.

In a global context, our focus is on delivering quality and value. Our approach has resulted in better risk-adjusted performance in most markets, with the added benefit of increased downside protection.

Global opportunities provide a wider lens to create alpha from a fundamental perspective.

Questions? Reach out to Amy Chang (amy.chang@bci.ca)



Thank you



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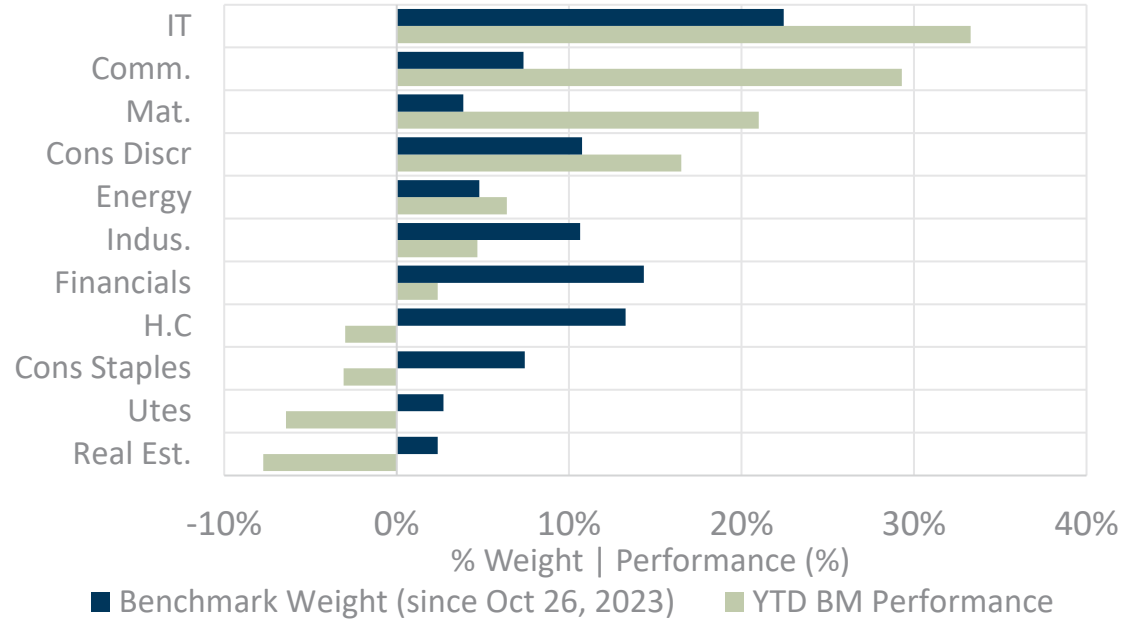
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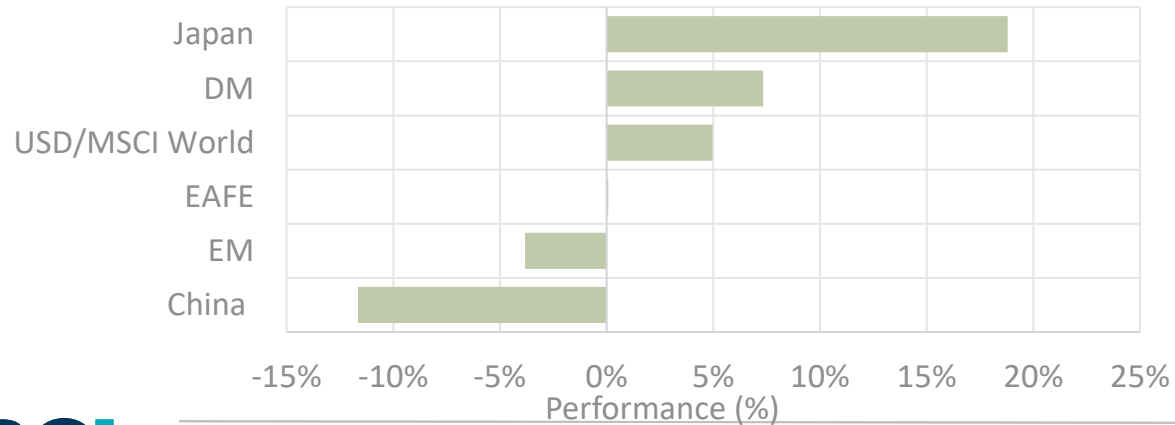
Appendices

YTD Performance

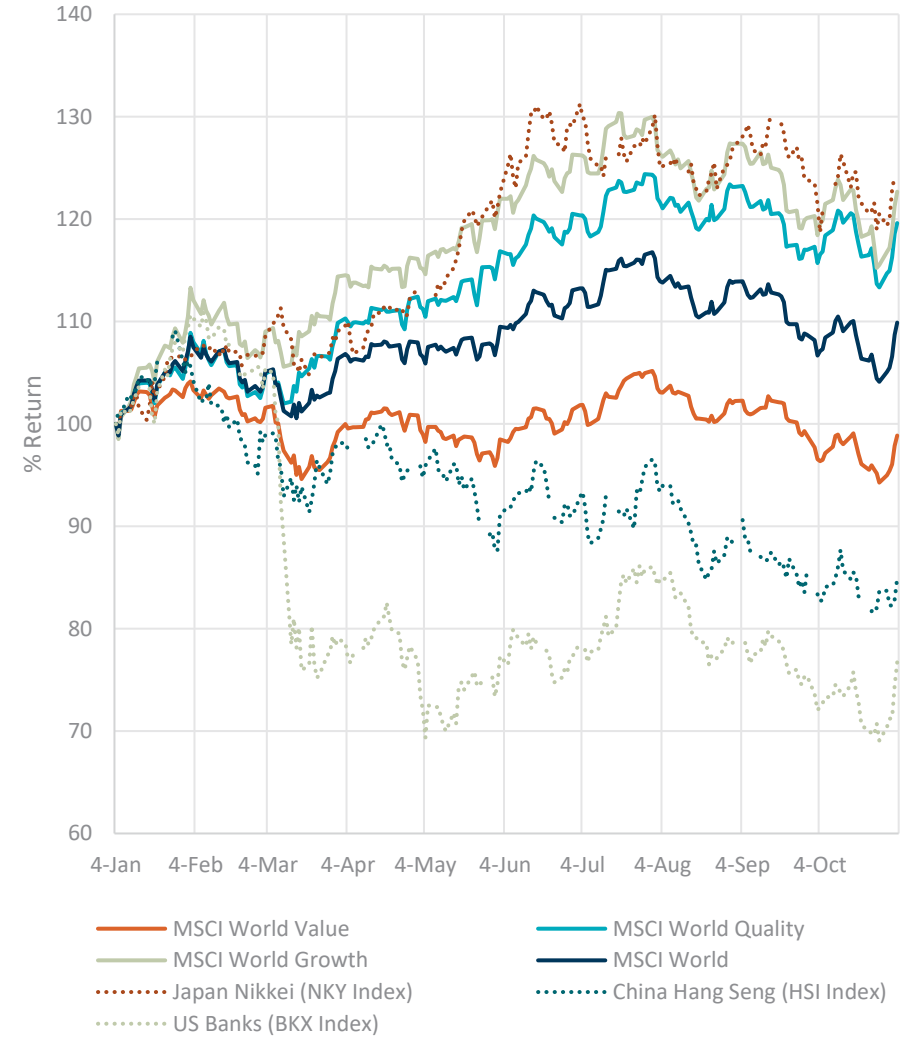
YTD SECTOR PERFORMANCE (As of Oct 26, 2023)



YTD COUNTRY INDEX PERFORMANCE

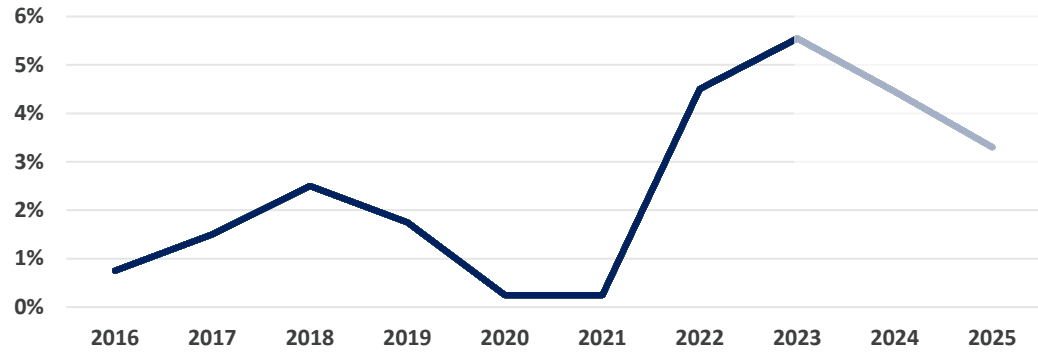


STYLE PERFORMANCE

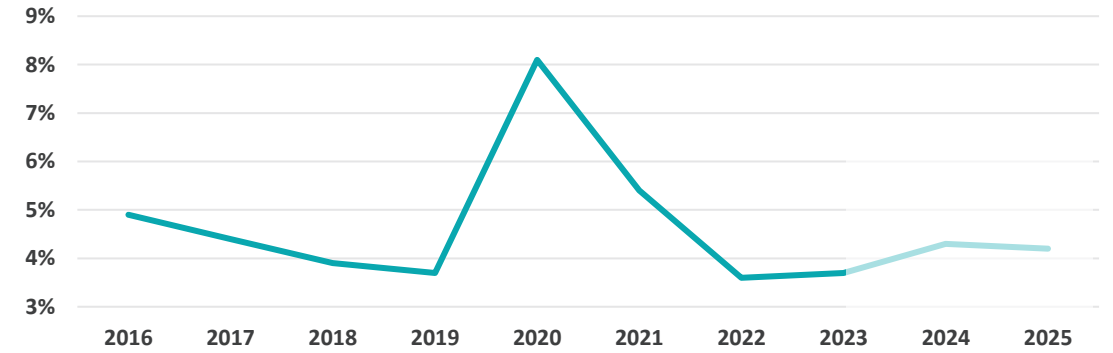


US

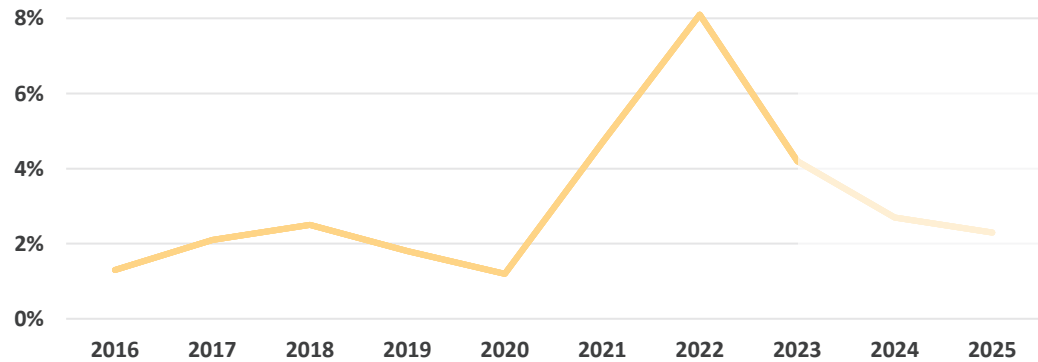
Central Bank Rate



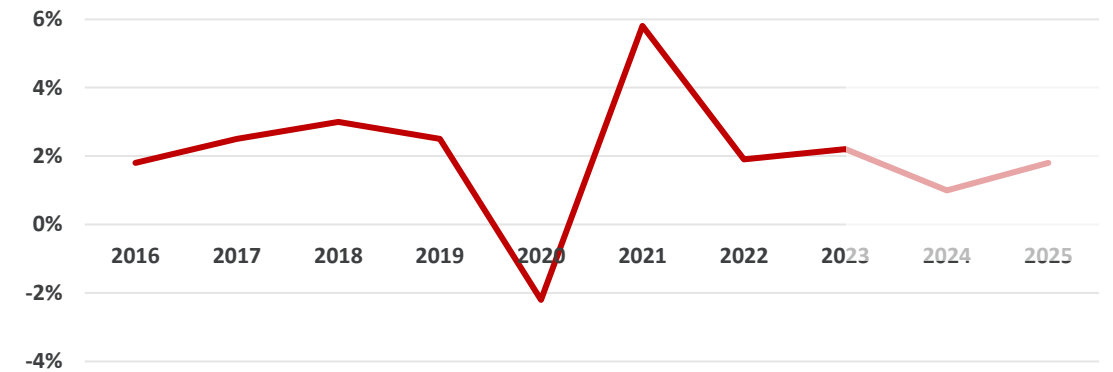
Unemployment



CPI (YoY%)



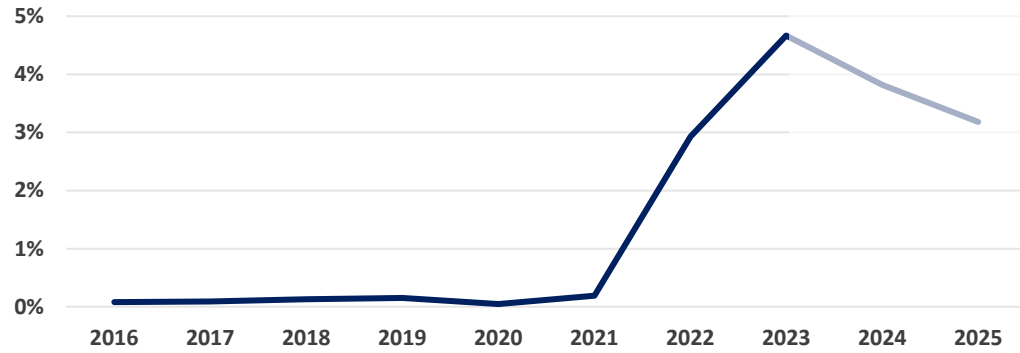
Real GDP (YoY%)



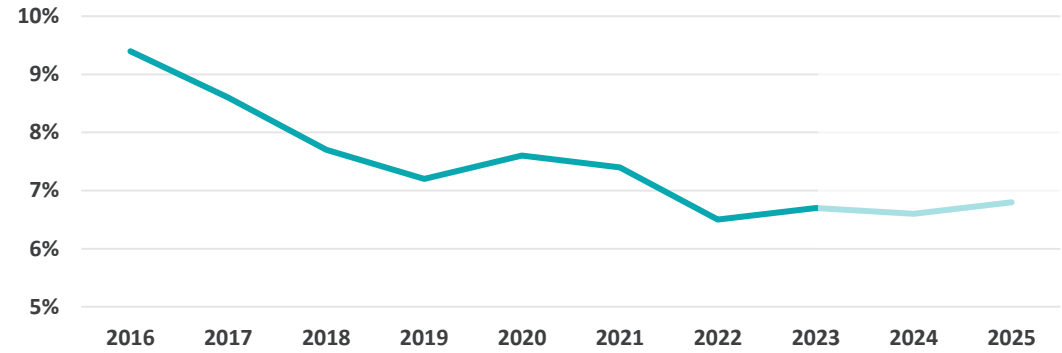
Source: Bloomberg Economic Forecasts

Europe

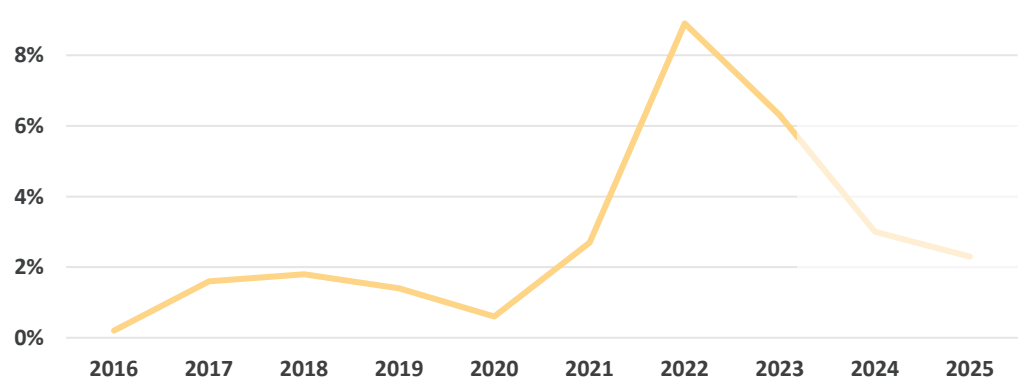
Central Bank Rate



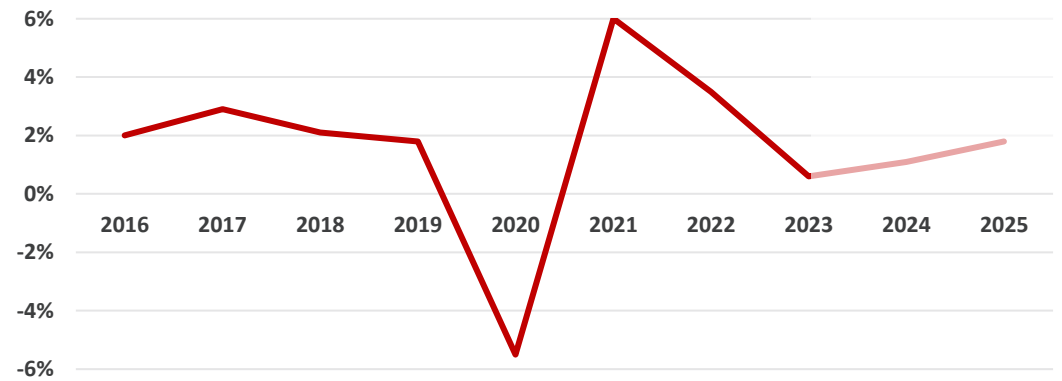
Unemployment



CPI (YoY%)



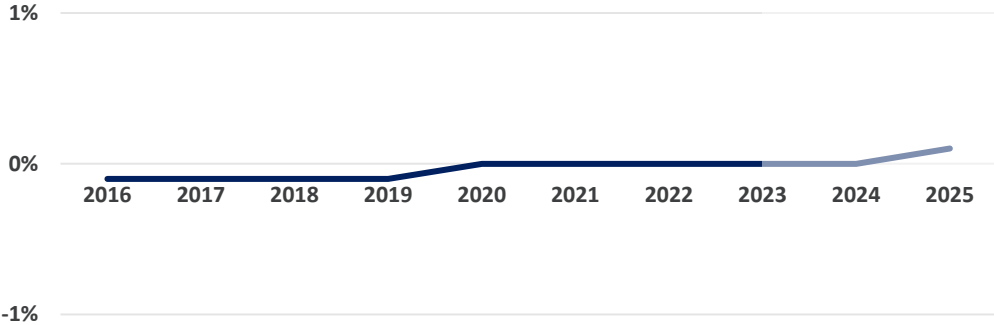
Real GDP (YoY%)



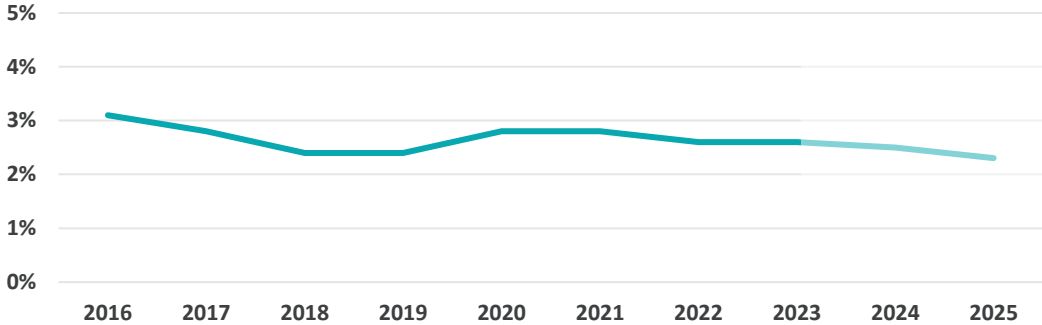
Source: Bloomberg Economic Forecasts

Japan

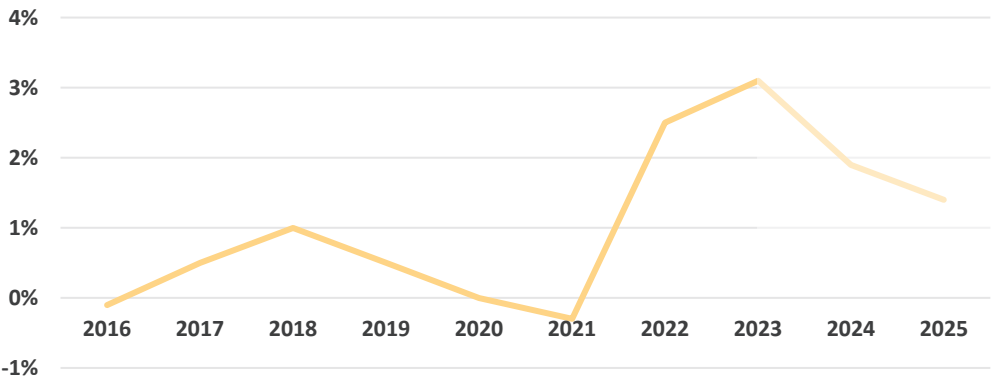
Central Bank Rate



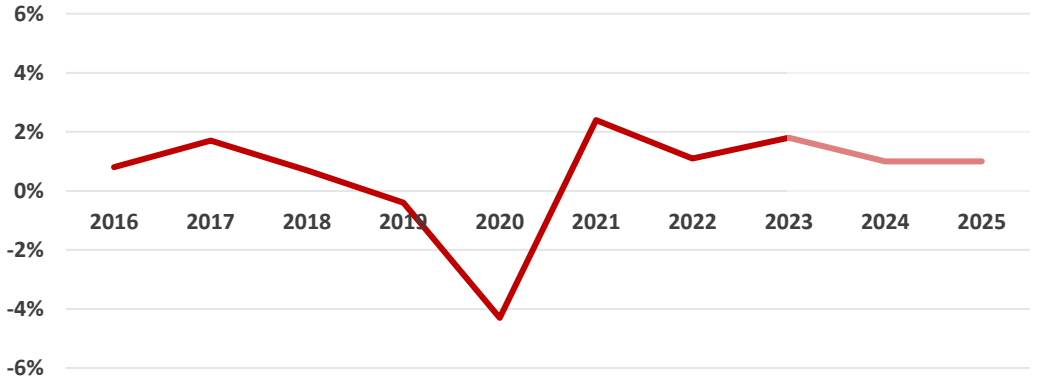
Unemployment



CPI (YoY%)



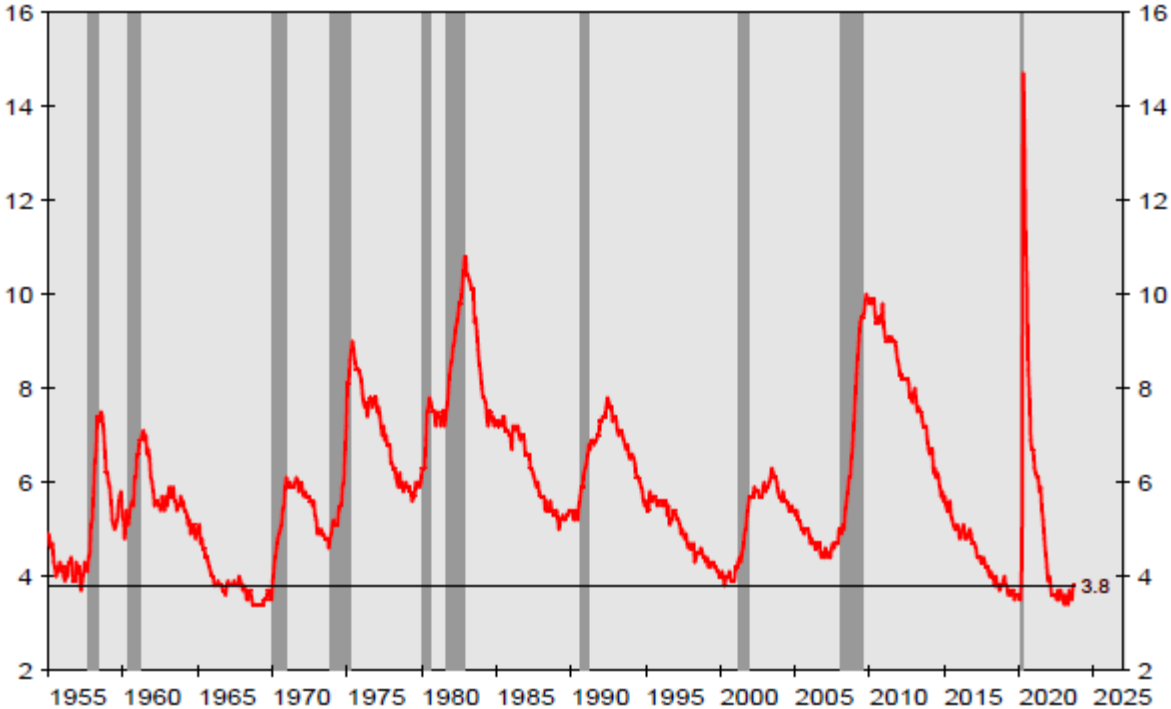
Real GDP (YoY%)



Source: Bloomberg Economic Forecasts

Global Economic Indicators

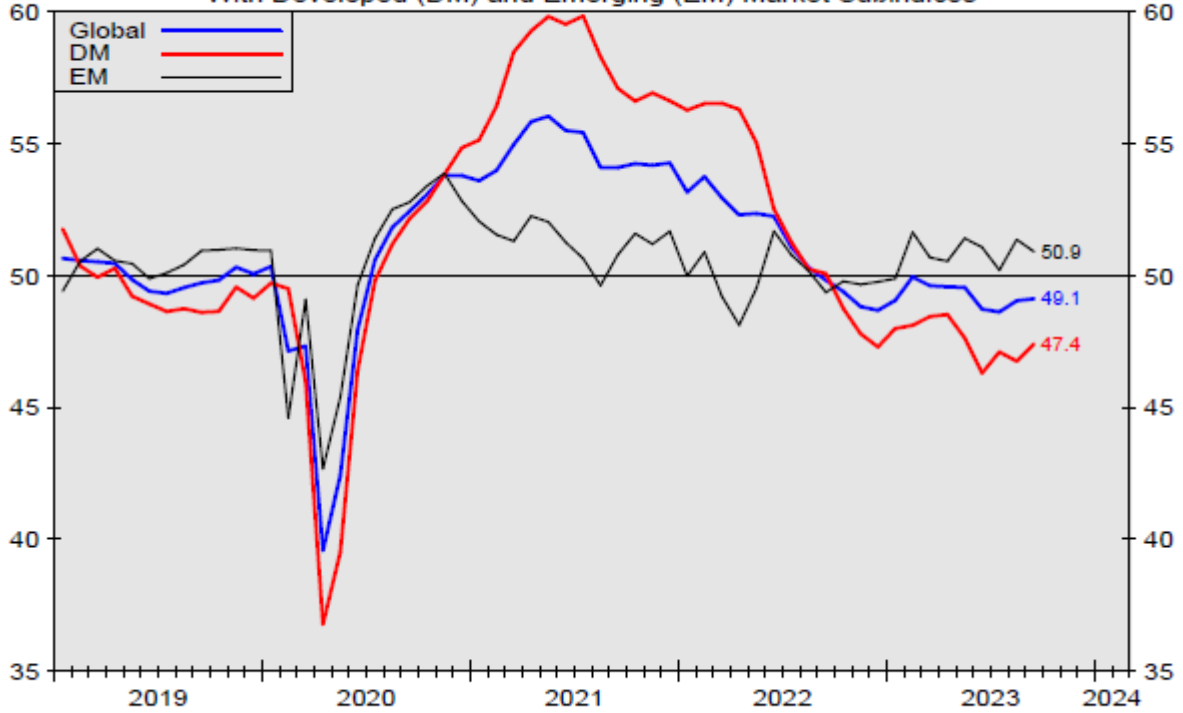
US Unemployment Rate



Shaded Areas Represent U.S. Economic Recessions

SEP 2023 40

Global PMI's
With Developed (DM) and Emerging (EM) Market Subindices



Source: IHS Markit

SEP 2023

Global Risk Premiums

- Equity Valuations in the US are expensive relative to others

