

The quant fund began making its first investments during the second week of May in the heart of earnings season. We decided to play it conservatively, taking only small positions in strong stocks ahead of the quarter. As such, the initial cash drag accounted for 213 basis points. For June, the fund was fully deployed, with the F-Class returning 3.4% vs. the TSX 2.6%. Our objective is to deliver solid returns with lower volatility. While very early days, since inception, beta = 0.4x with downside volatility of 5.4% vs. the TSX of 8.2%. Upside capture = 96% while downside capture = 65%.

Stock selection has added 236bp of performance. Industrials had the largest positive contribution, including MDA MAL ZDC. Materials were the largest detractor, including CCL.b VNP GMIN. Shorts cost the fund 39bp.

The fund exited the month with just over \$12m in assets invested in 40 Longs, 0 Shorts and 5.4% Cash. 27 of the positions are small-mid caps, representing 65% of the assets. The high concentration on smaller companies results in significant active share of 90%. This measure is the sum of the differences in the portfolio weights relative to the TSX. A zero active share would mimic the TSX while 100% would have zero overlap with the Index. For comparison, the average Canadian fund has 49% active share.

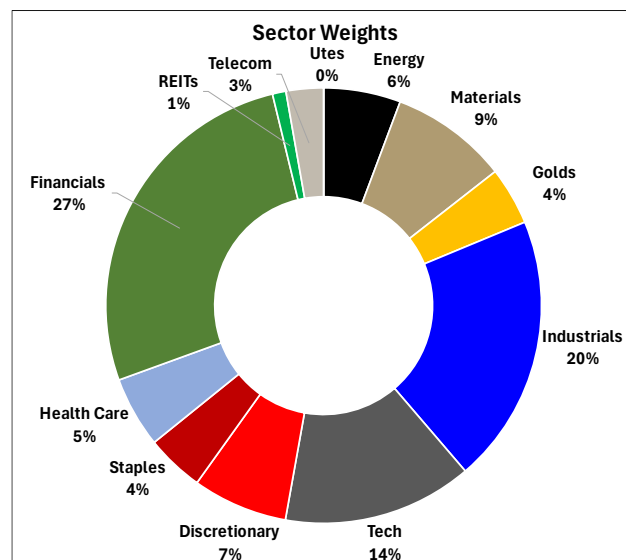
Sector exposure as of the end of June: Financials, Industrials, and Technology represent the largest weights.

## Market Commentary

Global equities have V-bottomed, recapturing the highs very quickly. Historically markets retest the lows ~70% of the time so this wasn't the base case. We launched the fund in the middle of this quick snap back, and did not have much time to discern the new emerging leaders. In our research, we have been tracking a 10-step checklist for bottoms since the blood in the streets in early April. When equity market breadth reaches extremes, it's time to start looking for opportunities. We are currently in steps #7-9 during which risk appetite improves, there is sector rotation into cyclicals, and the culprits of the bear rally – in this case the Semis which peaked in mid-2024 ahead of the market.

We continue to screen for stocks exhibiting strong fundamental momentum reflected in our quant model, identifying timely entry points for those emerging from base patterns. We will maintain broad sector exposure and adjust the beta of the fund going forward as macro indicators dictate.

	Model	TSX
Inception (F-class)	5.2%	6.7%
June (F-class) est.	3.4%	2.6%
May 7-30 (F-class)	1.8%	4.0%
Volatility	7.7%	7.5%
Max Drawdown	-0.6%	-0.8%
Downside Volatility	5.4%	8.2%
Beta	0.41	-
Upside Capture	96%	-
Downside Capture	65%	-



## 10 Step Checklist for a Bottom

✓	1	Lots of bears
✓	2	Blood in the streets
✓	3	Buyer step in
✓	4	Retest or V-bottom?
✓	5	Many stocks turn up at once
✓	6	The dust settles
	7	Improving risk appetite
	8	Sector rotation into cyclicals
	9	"Culprits" of the bear rally
	10	Improving macro/earnings



# CORMARK-CORTON QUANTITATIVE OPPORTUNITIES FUND

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