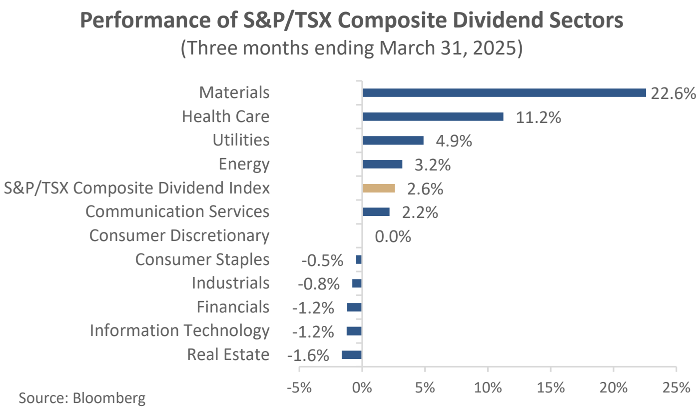
The FGP Canadian Equity Dividend Fund returned 1.32% in the quarter, compared with the S&P/TSX Composite Dividend Index return of 2.59%.




The S&P/TSX Composite Dividend Index came out of the gate with a strong return of just over 2.5% in the quarter despite all the turbulence in the market. Defence was a key theme, with the index outperforming the broader S&P/TSX Composite Index by 1.08% as dividend-paying companies provided more upside than non-dividend-paying companies. Within the S&P/TSX Composite Dividend Index, the sectors that are generally regarded as more defensive in nature provided positive returns. The standout was the Materials sector, which was up 23%, driven by precious metals. Gold stocks, in particular, did very well as investors looked towards what is considered a traditional safe haven. The index had some negative sectors, but they were modest in nature, including Real Estate, Information Technology, and Financials.

The defining issue for the stock market in the quarter was President Donald Trump's tariff policy on goods entering the U.S. from Canada and Mexico. The situation is changing on a daily basis and we do not profess to have a crystal ball on where the tariffs ultimately settle, but it is clear that the uncertainty around tariffs has caused business investment to slow and stock market volatility to increase. There are signs of a softening economy on both sides of the border, but Canada's primary concern will be growth, while America's concern will be tilted towards inflation. While the current situation is highly uncertain, we believe Canada has options at its disposal to grow its economy over the mid term to the long term.

Canada's federal and provincial governments will have a fiscal response while the Bank of Canada will have a monetary response. Export diversification, including oil and natural gas, is one of the longer-term solutions that could strengthen the Canadian economy. This would entail building additional pipeline capacity to the west coast and new pipeline capacity to the east coast. The lack of initiative to build pipelines has frustrated many Canadians and the tariff situation could be a catalyst to action.

Another consensus that appears to be emerging is the need to lower interprovincial trade barriers, which include restrictions on the sale of certain goods across borders, and regulatory and administrative differences in licencing, safety certifications, and technical standards.

We have written in the past about our strategy of owning high-quality companies that have resilient business models, earnings growth potential, conservative dividend payout ratios, and solid balance sheets. While the portfolio underperformed this quarter, it provided downside protection in March. As the market fell that month, the portfolio didn't go down as much, posting an outperformance of 1.38% over the S&P/TSX Composite Dividend Index. The portfolio continues to be well positioned to benefit from improving stock market sentiment, but it also owns a roster of companies with resilient defensive attributes that we believe would provide downside protection if the market softens over the coming quarters.

## Leaders

Among the top contributors to the portfolio's relative performance in the quarter were Imperial Oil Ltd. (Energy), up 18%; Quebecor Inc. (Communication Services), up 16%; and Power Corporation of Canada (Financials), up 15%.

- Imperial Oil is one of Canada's largest integrated oil companies, with operations in crude oil, refining, petrochemicals, and marketing. In its latest quarter, Imperial posted record setting daily oil production and solid refinery capacity utilization of 95%. Earnings per share (EPS), however, fell modestly year-over-year as refining margins were pulled down by weaker market conditions. Imperial continued to generate significant free cash flow which the company returned to shareholders via dividends and share repurchases. Imperial increased its quarterly dividend by 20% in the quarter.

- Quebecor, Quebec's leading cable and internet operator, also owns Freedom Mobile, Canada's fourth largest wireless operator. Quebecor's latest quarterly results showed modest top-line pressure, but solid bottom-line growth on good expense control, including better management of promotional discounts. The company's wireless operations reported solid customer and revenue growth, but its internet division experienced a decrease in revenue due to competitive pressures. We continue to believe in the company's long-term ability to expand its wireless operations and take market share away from the Big 3 – Rogers, Bell, and Telus. Quebecor also increased its quarterly dividend by 8% in the quarter.

- Power Corp. is a holding company focusing on financial services in North America, Europe and Asia. Its core holdings are leading insurance, retirement, wealth management, and investment businesses. Power Corp.'s latest results provided more evidence to support our view that its operating momentum continues as EPS rose 21% year-over-year, exceeding consensus expectations. The company trades at a wide discount to net asset value (NAV) of about 25%, which we believe is too steep given the efforts to simplify the corporate structure in recent years. Power Corp. continued to repurchase shares in the quarter and increased its quarterly dividend by 9%.

## Laggards

Among the detractors from the portfolio's relative performance in the quarter were Exco Technologies Ltd. (Consumer Discretionary), down 21%; Rogers Communications Inc. (Communication Services); down 12%; and Bank of Nova Scotia (Financials), down 10%.

- Exco, a global automotive parts manufacturer, reported a profitable quarter, but earnings per share (EPS) were down year-over-year as global automotive production volume reductions coupled with customer shutdowns in December drove lower sales. Exco has invested in various strategic growth initiatives over the last few years that should continue contributing to growth. The company has been caught up in President Trump's threatened tariffs on automotive parts imports from Canada and Mexico. We analyzed different tariff scenarios for Exco and concluded we're comfortable holding this position, which is underpinned by its historical profitability, aligned management team, cheap valuation, and attractive 7.2% dividend yield.

- Rogers is one of Canada's leading communication service providers, with wireless, cable and media business units. The company posted strong quarterly results with growth in revenue and earnings, but concerns about wireless industry competition and elevated leverage following the Shaw Communications acquisition in 2023 weighed on the shares. In 2024, Rogers announced the acquisition of Bell's 37.5% stake in Maple Leaf Sports and Entertainment (MLSE) for $4.7 billion and the divestiture of a minority stake in its wireless backhaul infrastructure for $7 billion. Investors have grown impatient waiting for more clarity on both transactions, which did not yet close by the end of the quarter. While we wait, Rogers trades at an attractive single-digit price-earnings (P/E) multiple and provides a high dividend yield of 5.2%.

- The Bank of Nova Scotia is one of Canada's Big 6 banks providing financial services that include personal and commercial banking, wealth management, and capital markets. The Big 6 were under pressure in the quarter because of concerns about a potential tariff-induced economic slowdown and the resulting impact on loan growth and credit losses. We continue to believe that new management has a credible plan to drive growth in businesses with higher returns on equity (ROE) and to improve the loan-to-deposit ratio. The bank made an encouraging step forward towards a higher ROE by announcing the sale of its operations in Colombia, Costa Rica, and Panama to Banco Davivienda in exchange for a 20% stake in the combined entity. Scotia remains a very profitable company with decent growth prospects that is trading at the cheapest valuation among the Big 6 and offering a dividend yield of 6.2%.

## Dividend Increases

Our portfolio companies continued to increase dividends despite the uncertain economic outlook. Dividend increases are a signal of confidence in the business outlook. Twelve companies in the portfolio raised dividend payments in the quarter based on the ex-dividend date. Two companies paid a special dividend in the quarter: Tourmaline Oil Corp. (35 cents per share) and Winpak Ltd. ($3.00 per share).

We do not expect dividend cuts from any companies in the portfolio even with the current turmoil given our forecasts of free cash flow (FCF) generation, balance sheet strength, and sustainable payout ratios.

## Outlook & Strategy

While we cannot predict the outcome of current global challenges, we will follow our fundamental principles and strategies to build a portfolio of reliable dividend-paying companies. Our value investment discipline continues to focus on owning a collection of what we believe to be high-quality companies that have resilient business models, earnings growth potential, conservative dividend payout ratios, and solid balance sheets.

As it always does, the stock market will fluctuate over the coming quarters, but we want to reiterate that staying invested is a time-tested strategy for generating stock market wealth over the longer term whereas timing the market has proven less reliable.

The portfolio is positioned predominantly in companies that provide a service (rather than a good) and with large Canadian revenue streams. While the portfolio will not be immune to the trade war, we believe it owns strong Canadian companies and has recently taken a slightly more defensive posture through a higher-than-normal cash position. We continue to look for opportunities to initiate new positions in companies that have been harmed by tariff uncertainty, but we are being very cautious about valuation.

In addition to searching for new companies, we work to maximize the portfolio's return potential by continuously evaluating the weight of existing holdings based on their risk-adjusted expected total returns and dividend yields. We perform this exercise daily, and the result is a portfolio designed to deliver long-term outperformance. Another result is a reliable cash income stream that has historically allowed the portfolio to weather short-term fluctuations more comfortably.

The Foyston, Gordon & Payne Inc. (FGP) performance figures and portfolio statistics shown in this report are for the FGP Pooled Funds. Client returns may vary due to cash flow timing and client-specific constraints.

Investment returns and assets under management are expressed in Canadian dollars unless otherwise noted. Investment returns are gross of investment management fees, net of fund expenses for FGP Pooled Funds, and include reinvestment of dividends and income. Returns are time weighted and annualized for periods greater than one year. Values change frequently and past investment performance may not be repeated.

These views are subject to change at any time based upon market or other conditions and are current as of March 31, 2025.

Forecasting represents predictions of market prices and/or volume patterns utilizing varying analytical data. It is not a guarantee of the performance of the stock market, or of any specific investment.

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