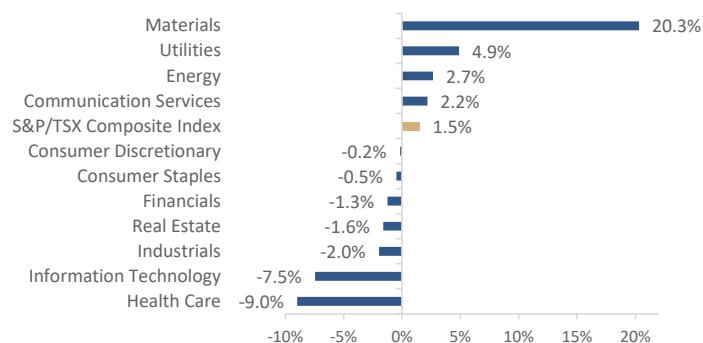


The FGP Canadian Ex-Energy Equity Fund returned -2.06% in the quarter, compared with the S&P/TSX Composite Index total return of 1.51%.

**Performance of S&P/TSX Composite Sectors**  
(Three months ending March 31, 2025)



Source: Bloomberg

The first quarter of 2025 proved to be a turning point for Canadian and global equity markets. To begin, the Canadian market outperformed the S&P 500 Index and the Nasdaq Composite Index. The market appeared euphoric early in the quarter that U.S. economic growth under President Donald Trump was going to persist. With ongoing and inconsistent news flow about trade and tariffs, U.S. equity markets softened towards the end of the quarter. We believe the cheaper valuation of the Canadian market was a contributing factor to Canada's relative outperformance.

The Canadian equity market had a modest positive return in the quarter, with four out of 11 sectors posting positive returns. The standout was the Materials sector, which was up 20%, driven by precious metals. Gold stocks, in particular, did very well as investors looked for "safety". The index had some negative sectors, led by larger drops in Health Care and Information Technology, while Industrials and Real Estate posted more modest declines.

As we noted last quarter, there is tremendous uncertainty about the impact of Trump's trade actions against Canada. We made the case that owning high-quality companies that pay dividends and are bought at reasonable valuations can be part of a sound strategy.

Indeed, while the portfolio underperformed this quarter, it provided some downside protection in March. Consequently, even with the tremendous run-up in precious metals securities, we believe the portfolio should continue to offer defensive protection should the market gyrations continue.

## Leaders

Among the top contributors to the portfolio's relative performance in the quarter were Quebecor Inc. (Communication Services), up 16%; Power Corporation of Canada (Financials), up 15%; and Empire Co. Ltd. (Consumer Staples), up 10%.

- 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%.
- Empire is one of Canada's leading grocery retailers with operations across the country under the Sobey's, Farm Boy, IGA, and FreshCo banners. The company's latest quarter demonstrated continued solid execution in a challenging retail spending environment. Same-store-sales growth was 2.6%, which was nicely ahead of expectations and the best quarter since the summer of 2023 when food inflation was still above 5%. Empire has the lowest percentage of discount versus full-service banners among the big Canadian grocers. This proportion has

been a disadvantage in the current environment, but the outperformance of discount banners continued to narrow in the quarter. Empire has the cheapest valuation of the Canadian grocers, a situation which we believe is unwarranted given the company's strong market position, operational execution, and profitability.

### Laggards

Among the detractors from the portfolio's relative performance in the quarter were TFI International Inc. (Industrials), down 42%; Rogers Communications Inc. (Communication Services); down 12%; and Bank of Nova Scotia (Financials), down 10%.

- TFI is a leading transportation and logistics company in North America known for consolidating trucking companies within a fragmented market. TFI is one of the very few companies that has created value through accretive acquisitions, but it hit a bump in the road with the purchase of UPS Freight. Given CEO Alain Bedard's track-record, we are inclined to give him more time to fix the acquisition. The other issue facing TFI is a weak North American freight market putting pressure on the company's earnings outlook. We believe TFI is run by an excellent management team and has good assets. As the freight cycle recovers and the UPS Freight acquisition is repaired, the company's valuation has significant potential to improve.
- 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 what we believe to be the cheapest valuation among the Big 6 and offering a dividend yield of 6.2%.

### Portfolio Activity

We initiated a new position in one company in the quarter: Bell Canada Enterprises (BCE), one of Canada's largest telecommunications and media companies. Founded in 1880, it provides internet, mobile, TV, and digital media services nationwide. The company continues to invest in 5G and fibre-optic networks across Canada. BCE faced some headwinds in the past few years including an unsustainable dividend, increasing debt levels, intense competition and unfavourable regulatory changes. Despite these issues, we think BCE has notable catalysts to improve its equity valuation including a dividend cut, an improving sentiment on U.S.-subsidiary Zipy Fiber, and further cost and capital expenditure reductions in BCE's core operations. Our valuation analysis suggests meaningful upside.

During the quarter we exited from one company: iA Financial Corporation Inc. We made this sale for valuation reasons. iA Financial had historically traded at a discounted valuation to its insurance company peers. Over the past year, the company's price-book (P/B) multiple rose closer to the insurance group average. While iA Financial continues to execute on its strategy, we felt there was better value elsewhere in the portfolio.

## Outlook & Strategy

At the end of the quarter, Canadians were focused on the April 28 federal election and on the Trump tariff announcements planned for April 2. Despite many unknowns, we believe there are some positives for Canada, its equity markets, and our portfolio:

- **The winner of the Canadian election is undoubtedly going to be focused 100% on Canada's growth, and that's good for investors.**

The importance of removing inter-provincial trade barriers, improving global trade, building domestic infrastructure, and attracting new foreign capital will be paramount to our nation's success. It is very possible that many growth projects which never got approved under the last government will get approved rapidly after the election, regardless of who forms the government. Growth is good for our portfolio companies.

- **The Canadian equity market is not overpriced.**

We think that global capital allocators may ultimately rebalance some public equity capital away from the U.S. towards other developed markets like Canada.

- **Buying Canadian, Investing Canadian.** We think many Canadians are supporting the domestic economy and making purchase decisions to support Canada. We also believe that domestic investors may think similarly about supporting the country's domestic champions. This support could lead to a repatriation of capital back to Canada.

So, although the future is very difficult to predict, we don't think Canada will waste this crisis. We think the country will come out stronger, better, and more focused on growth to offset trade issues with the United States. We think this could be a turning point to unleash the potential of Canada and drive higher earnings growth and valuation of our companies.

In the coming quarters, while the stock market could be more volatile than usual, 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 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. We continue to bargain hunt for high-quality companies that are temporarily on sale because of company-specific short-term issues or broader economic uncertainty.

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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