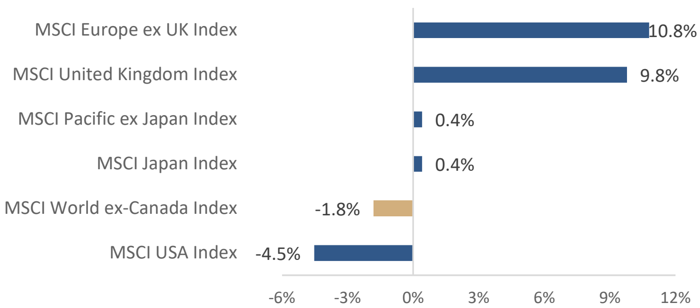
The FGP Global Equity Fund returned 1.82% in the quarter, compared with the MSCI World ex-Canada Index (CAD) return of -1.81%.

Performance of MSCI World ex-Canada Selected Regions (Net, CAD)
(Three months ending March 31, 2025)



Source: MSCI

European equities led the benchmark in the quarter as European governments, led by Germany, started showing a greater willingness to increase fiscal spending after a decade of restraint. This change led to investor optimism in the future of European companies. The portfolio's overweight position in Europe and its underweight position in the U.S. contributed to relative performance in the quarter. As bottom-up managers, our country and sector weights are a byproduct of our stock selection. We have seen more of what we believe to be high-quality companies trading at attractive valuations in Europe and the U.K. than we have seen in the U.S.

Stock selection in the Consumer Discretionary and Consumer Staples sectors contributed to relative performance in the quarter while stock selection in the Communication services sector detracted from relative performance. The portfolio's absence from the Energy sector also detracted from relative performance.

Leaders

Among the top contributors to performance in the quarter were BAE Systems plc (Industrials), up 40%; Philip Morris International Inc. (Consumer Staples), up 33%; and Fiserv Inc. (Financials), up 8%.

- BAE is a defence contractor in the U.K. and a beneficiary of geopolitical tensions. As Europe realizes it can no longer rely on U.S. support to protect against Russian aggression, defence companies across Europe experienced really strong performance in the quarter.

- Philip Morris continued to show solid results, especially from its innovative reduced-risk products like IQOS and Zyn. These offerings demonstrate strong market performance and underscore our investment thesis that Philip Morris is exceptionally well-positioned to capitalize on the ongoing shift among consumers toward more health-conscious alternatives. This strategic pivot aligns with our philosophy, as it not only supports the company's growth but also corresponds with broader societal trends toward improved public health.

- Fiserv provides technology to the financial sector and payment processing services to merchants. Fiserv provides a link between SMEs and payment processors such as Visa and Mastercard. The company manages about USD 2 trillion in payment volume annually. Its main driver of growth is a subsidiary called Clover that provides hardware terminals to SMEs and the software that runs the terminals. The company delivered double-digit revenue growth helped by underlying economic growth, increasing use of digital payments by consumers, and Clover's increasing market share.

Laggards

Among the top detractors from performance in the quarter were Broadcom Inc. (Information Technology), down 28%; Worldline SA (Financials), down 27% during the portion of the quarter in which we owned the company; and Alphabet Inc. (Communication Services), down 18%.

- Broadcom is a technology company selling semiconductor products that lead the market and which are set to benefit from growth in cloud adoption and AI. The company's financial results continued to be in line with our expectations.

- Worldline, one of the largest payment processors in Europe, reported full year 2024 financial results and disappointing guidance. The financial expectations for the current year were particularly disappointing with respect to cash flow generation and were primarily responsible for the underperformance in the quarter.

- For Alphabet, which runs Google, investors are concerned about whether this search engine could hold on to its effective monopoly in the search business. While we appreciate the potential risks to the search business, we believe Alphabet has a very attractive collection of other businesses that do not get fully captured in the current valuation. Alphabet trades below the market's multiple, making the company attractively priced for us.

Portfolio Activity

In general, we like businesses that make something once and then have very little incremental cost for every new sale. For example, in the eGaming industry, programmers write the code to create a game, and the company sells the game many times – perhaps millions of times – without having to spend very much additional money. One such company is Electronic Arts Inc. (EA), the only new position in the portfolio in the quarter. EA is a video game producer generating over half its revenue and earnings from sports-specific games like soccer and football.

Increasingly, the business model for eGaming is shifting from one where players buy a game once to one where players spend money while playing. We think part of the opportunity is that over time, companies can increase this monetization. Right now, people can play a game for hundreds of hours and spend very limited amount of cash. So, if you can incentivize these types of people to spend more, that becomes the opportunity.

We continue to think that longer term, gaming itself is a secularly growing industry and EA, being the number one provider of sports gaming, is in a unique position to benefit from this growth. The increased monetization of gaming gives some stability and resilience to the company's revenue profile. EA also has non-sports games, a factor which gives the company increasing upside potential to grow revenue and monetize these games too.

We removed two companies from the portfolio: Worldline and CK Hutchison Holdings Limited.

- We had expected Worldline to see a significant improvement in financial performance in 2025, especially with respect to cash flow generation given that the peak of restructuring costs are behind the company. The current expectations from management are for flat performance in 2025 both in terms of sales and free cash flow generation. This is below the base case expectations we had for the business and suggests continued underperformance relative to peers. With no signs of improvement and little confidence in management's ability to execute in a highly competitive market, we made the difficult decision to exit the position. The Worldline experience has been a painful lesson in the importance of investing in businesses that are not losing market share.
- Hong Kong-based CK Hutchison recently sold its port division, representing 30% of revenues, at a very high price. Given that we were uncertain as to how the company would redeploy capital, and given that the ports business was, in our opinion, CK Hutchison's best division, we sold the position.

Outlook & Strategy

At the end of the quarter, the portfolio traded at 17 times earnings, with expected earnings per share (EPS) growth of 11% in 2025. By comparison, the broader market traded at 19 times earnings, with expected EPS growth of 11%. We believe the companies in our portfolio remain well-positioned to provide durable earnings growth while trading at relatively attractive valuations which should continue to provide downside protection.

Unless otherwise noted, all figures in this commentary are presented in Canadian dollars.

DISCLOSURES

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.

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