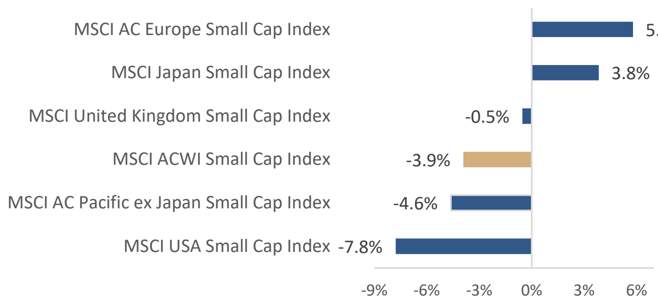
The FGP Global Smaller Companies Fund returned 0.30% in the quarter, compared with the MSCI ACWI Small Cap Index (CAD) return of -3.90%.

Performance of selected regions in the MSCI ACWI Small Cap Index (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 Industrials, Information Technology, and Health Care sectors contributed to relative performance in the quarter. The portfolio's underweight position in the Materials sector detracted from relative performance, as did stock selection in that sector.

Leaders

Among the top contributors to performance in the quarter were M3 Inc. (Health Care), up 28%; Alten SA (Information Technology), up 18%; and Genpact Ltd. (Industrials), also up 18%.

- M3 operates an online platform that connects doctors with relevant research and pharmaceutical information. This platform exhibits attractive characteristics, including high margins, limited capital requirements, and strong user engagement. The company serves approximately 6.5 million doctors globally, including nearly 95% of Japan's physicians. The platform generates revenue from pharmaceutical companies and healthcare advertisers seeking to reach this highly targeted audience. The strength of M3's business lies in its extensive doctor network and engagement rates, which are difficult to replicate. The company reported excellent results in its latest quarter as it starts to accelerate its growth following a period of normalization after the COVID-19 pandemic.
- Alten is a leading provider of outsourced engineering and research and development (ER&D) services in Europe. Companies have been outsourcing more of their ER&D work and we believe this trend will continue. Investors' optimism about Alten increased in the quarter as a result of decisions made by European governments to increase spending on defence and infrastructure – sectors in which Alten is very active. Alten has a strong brand that helps attract talent and clients, and a strong track record of delivering on projects. The company is well-managed and is led by its founder. Alten has high insider share ownership and good capital allocation. It focuses on tuck-in acquisitions and avoids using debt.
- Genpact is a leading business process outsourcing (BPO) company originally spun out of GE in 2007 and listed as a public company. In previous quarters, investors were overly pessimistic about the impact of generative AI (GenAI) on Genpact. The company, however, continues to execute well, showing solid mid-single-digit revenue growth.

Laggards

The top detractors from relative performance in the quarter were Netcompany Group A/S (Information Technology), down 21%; Shoei Co. Ltd. (Consumer Discretionary), also down 21%; and International Money Express Inc. (Financials), down 13% during the portion of the quarter in which we owned the company.

- Based in Denmark, Netcompany is an IT service provider with a focus on governments and systems integrations and has a dominant market position in the Nordic countries. The company reported slightly disappointing financial results in its latest quarter. We like the company's plans to expand into the rest of Europe and we understand there will be growing pains in the short term.
- Shoei is the world leader in premium motorcycle helmets with a 60% market share. It has a moat in terms of branding and technical expertise as

Shoei helmets are known for quality and being at the forefront of innovation. Shoei has been able to raise prices faster than inflation and has grown more quickly than the broader motorcycle market. However, the most recent quarterly results showed the company not growing at the pace in which investors expected, thus affecting the share price. We like Shoei because it is the beneficiary of repeatable demand, a quality feature we look for, because there is a natural replacement cycle for motorcycle helmets as they expire with regular use or when safety standards change.

- International Money Express, or Intermex, is the leading cash remittance provider in U.S.-to-Latin America corridors. In the fourth quarter of 2024, the company announced that it was exploring opportunities to take the company private due to its low valuation. Shares did well in that quarter as a result of the announcement but came back down to earth in the first quarter of 2025.

Portfolio Activity

We added three companies to the portfolio in the quarter: Bunzl PLC, Pets at Home Group PLC, and Royal Unibrew A/S.

- U.K.-based Bunzl is the distributor of all non-food consumable items to grocery stores and restaurants. Their products include plastic coffee cups, napkins, Styrofoam packaging, plastic wrap, and anything else their clients need to run their businesses, apart from food and non-consumables. In Canada, Metro and Sobeys are Bunzl's largest customers. Bunzl's clients tend to stay loyal given the inconvenience of changing suppliers of products that represent a small proportion of expenses. Most of the company's growth has come from acquisitions of smaller distributors. Bunzl is a fairly resilient business with predictable, stable growth.
- Pets at Home combines a chain of pet stores in the U.K. with in-house veterinarians who, by their very presence, attract traffic to the retail stores. We like this business because it is highly recurring – for example, pet owners need to buy food regularly. We expect to see a pickup in activity as pandemic dogs and cats hit age five this year, typically the point at which health issues start hitting the pet population. The company's valuation is also very attractive.
- Royal Unibrew is a beverage company operating in the Nordic countries. Its products range from energy drinks and flavoured water to beer and wine. By offering a wide range of beverages, Royal Unibrew generates more revenue from retailers than if the company was just focused on one type of beverage. We also like the company because it is staying away from larger, more competitive markets such as the U.S. and Germany where Royal Unibrew's size would be a major disadvantage. Royal Unibrew prefers to focus on tertiary markets where large beverage companies put less emphasis due to the smaller profit potential.

We removed three companies from the portfolio: Intermex, Hargreaves Lansdown PLC, and Signet Jewelers Limited.

- We sold Intermex over concerns around the company's reliance on brick-and-mortar distribution in an industry that we felt was increasingly transitioning to digital distribution.
- We exited Hargreaves Lansdown, a U.K. discount investment brokerage, before the closing of a takeover from two private equity firms and one sovereign wealth fund.
- Signet is the largest jewelry retailer in the U.S., with scale advantages in terms of buying power, advertising, and the provision of an omnichannel experience. The business has elements of predictability that elude most other retailers. Half of Signet's revenue is from bridal demand which we view as recurring. Two factors led us to sell the company this quarter. Firstly, Signet changed its CEO recently, a move that brought a lot of uncertainty to the company. Secondly, we expect the prevalence of cheap, artificial diamonds to place downward pressure on the price of genuine diamonds, negatively affecting Signet's revenues in the coming years.

Strategy and Outlook

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.

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.

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