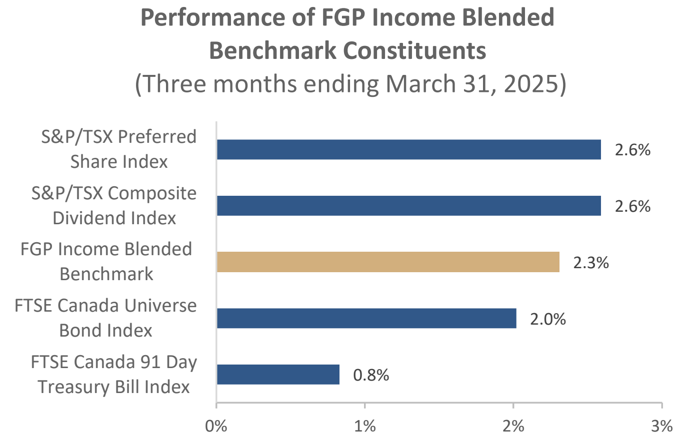
The FGP Income Fund returned 2.03% in the quarter, compared with the FGP Income Blended Benchmark return of 2.31%.



Source: FTSE Canada and Bloomberg

The first quarter of 2025 continued to see volatility and uncertainty, largely driven by the *America First Trade Policy* and its associated tariffs. These developments caused fluctuations in financial markets and added to the economic uncertainty, particularly in Canada, which faces ongoing trade tensions with its largest partner, the U.S. In response to these pressures, the Bank of Canada (BoC) cut its key policy rate by a total of 50 basis points to 2.75%. This marked the sixth and seventh consecutive reductions by the central bank and had a direct impact on fixed income markets, where Canadian bonds posted positive returns in the quarter.

Bonds

Yields declined across the yield curve, with short-term bonds seeing more significant drops in line with the BoC's rate cuts. Longer-term bond yields also declined, though to a lesser extent, as they were influenced by developments in global fixed income markets, particularly U.S. Treasuries. Given the increasing level of uncertainty in financial markets, the duration position of the strategy remained aligned with that of the benchmark, meaning interest rate movements had little impact on relative performance during the quarter.

In the credit markets, Canadian corporate bonds showed signs of softening after strong performances in previous quarters. Duration-adjusted credit spreads widened by approximately 10 basis points in the quarter.

While these widening spreads were mostly offset by the additional yield offered by these types of investments, they still had a small negative impact on the marginal relative underperformance of the portfolio in the quarter.

Hybrids had a mixed quarter as bond capital securities were weak while preferred share capital securities shrugged off much of the volatility and delivered modestly positive returns.

Preferred Shares

The Canadian preferred share market generated good absolute performance during the quarter and the portfolio outperformed its benchmark. This outperformance was driven by security selection as our holdings performed well. Most notably, our holdings of Fairfax Financial benefitted from a call at par for FFH.pr.E, helping drive relative performance. Additionally, this call created a follow-on effect with other holdings in Fairfax preferred shares that rallied in anticipation of potential call activity.

Looking forward, we expect preferred share returns to deliver continued resiliency and modest capital appreciation in addition to rising dividends. Changes in taxation and bank capital continued to positively impact the preferred share market and will likely lead to continued interest in the space. The increasing dividend levels should continue to attract income-seeking investors as the relative income level has increased compared with other fixed income market segments.

Common Shares

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.

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.

Among the top contributors to the common share 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%.

Among the detractors from the common share 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

FGP Income Fund Asset Mix

	Dec. 31, 2024	March 31, 2025	FGP Income Blended Benchmark
Cash & Equivalents FGP Money Market Fund	0.6%	1.0%	FTSE Canada 91-day T-bill Index (5.0%)
Bonds FGP Core Plus Bond Fund FGP Corporate Plus Bond Fund FGP Mortgage Fund	28.4%	30.7%	FTSE Canada Universe Bond Index (35.0%)
Preferred Shares FGP Preferred Share Fund	33.3%	30.5%	S&P/TSX Preferred Share Index (30.0%)
Common Shares FGP Canadian Equity Dividend Fund FGP Canadian Ex-Energy Equity Fund	37.7%	37.8%	S&P/TSX Dividend Index (30.0%)
Total	**100.0%**	**100.0%**	**100.0%**

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%.

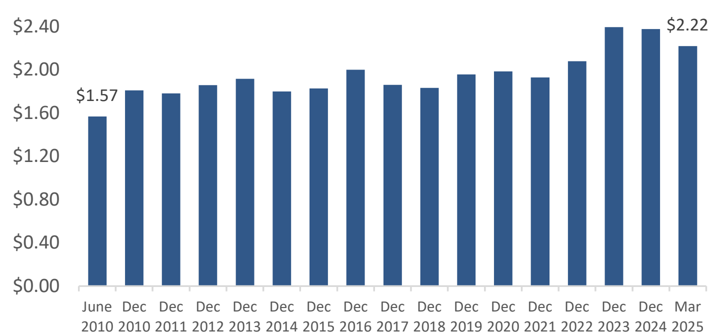
- The Bank of Nova Scotia is one of Canada's Big 6 banks providing financial services that include personal and commercial banking, wealth management, and capital markets. The Big 6 were under pressure in the quarter because of concerns about a potential tariff-induced economic slowdown and the resulting 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%.

The common share portfolio is positioned predominantly in companies that provide a service (rather 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.

Income distribution growth

One of the portfolio's primary objectives is to generate a regular, reliable and rising stream of cash distributions for investors. In our view, the best financial metric on which to evaluate whether the portfolio is achieving its cash distribution objective is income distributions per unit. Since the Fund's inception in 2009, the 12-month trailing cash distributions have grown from $1.57 to $2.22 per unit.

12-Month Trailing Income Distributions ($ Per Unit)



Source: CIBC Mellon and FGP

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.

This material is not an offer, solicitation or recommendation to purchase any security. Nothing contained in this material is intended to constitute legal, tax, securities or investment advice, nor an opinion regarding the appropriateness of any investment, nor a solicitation of any type. Securities mentioned herein are not to be construed as recommendations to buy or sell and may not be representative of FGP accounts/portfolios as a whole.

The general information contained in this publication should not be acted upon without obtaining specific legal, tax and investment advice from a licensed professional. The information, analysis and opinions expressed herein are for general information only and are not intended to provide specific advice or recommendations for any individual entity.

While the information included in this Commentary is obtained from sources that FGP believes to be reliable, we do not guarantee its accuracy, and the information may be incomplete or condensed.

The S&P 500 Index is a trademark of S&P Global, Inc. and has been licensed for use by Foyston, Gordon & Payne Inc. Redistribution or reproduction in whole or in part are prohibited without the written permission of S&P Global, Inc. For more information on the index, please visit www.spglobal.com. S&P Global, Inc. makes no representation or warranty, express or implied, with respect to the S&P 500 Index and shall not have any liability for any errors, omissions, or interruptions in the S&P 500 Index or the data included therein.

Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI's express written consent.