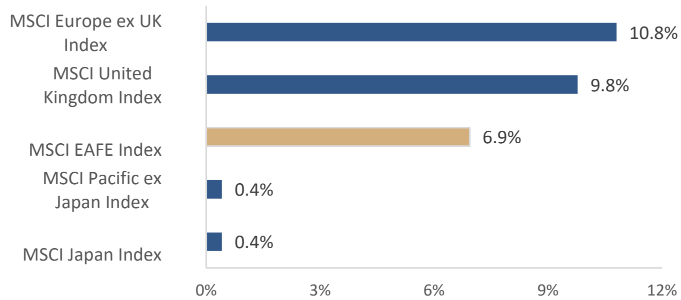
The FGP International Equity Fund returned 9.96% in the quarter, compared with the MSCI EAFE Index (CAD) return of 6.94%.

Performance of selected regions in the MSCI EAFE Index (Net, CAD)
(Three months ending March 31, 2025)



Source: MSCI

The most notable source of the benchmark's positive return was the DAX Index in Germany, up about 13% in Canadian dollars. In the Asia-Pacific region, Chinese and South Korean equities started the new calendar year strongly while Japanese equities experienced more volatility and finished the quarter almost flat. The significant deviation between the valuation of U.S. and European equities narrowed slightly during the quarter, but U.S. stocks are still much more expensive than those in Europe.

The defence industry benefitted from the new priorities of the Trump administration in the U.S. which led to a sizable increase in investments by European nations, notably Germany. This country moved away from a decade-long period of fiscal responsibility to now making commitments to spending upwards of 500 billion euros over the next 10 years in both defence and infrastructure. These plans boosted optimism on European stock markets.

Stock selection in the Consumer Discretionary, Consumer Staples, and Industrials sectors contributed to relative performance in the quarter. Stock selection in the Communication Services and Financials sectors detracted from relative performance as did the portfolio's absence from the Energy sector.

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 Prosus NV (Consumer Discretionary), up 16%.

- 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.
- Prosus owns 24% of Tencent and is currently Tencent's single largest shareholder. Prosus' investment in Tencent, which represents 85% of the value of Prosus, is the key component of our investment thesis for Prosus. From a valuation perspective, we believe Prosus is an attractive vehicle to gain exposure to Tencent with the added optionality of the other investments owned by Prosus. Tencent's performance in the quarter was driven by strong revenue growth and improved sentiment in China, both factors helpful for Prosus.

Laggards

Among the top detractors from performance in the quarter were Worldline SA (Financials), down 27% during the portion of the quarter in which we owned the company; Publicis Groupe (Communication Services), down 12%; and Kakaku.com, Inc. (Communication Services), down 5%.

- 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.
- Publicis is one of the largest advertising agencies in the world and reported good financial results in its latest quarter, with indications of a positive 2025, and continued to increase market share relative to its

peers. Advertising agencies reported disappointing financial results, souring investors on the sector as a whole, and Publicis was negatively affected by this sentiment. We believe Publicis will continue to show superior growth relative to its peers.

- Kakaku.com owns an online restaurant reservation system that it sells to restaurants across Japan. The company also owns the second-largest career website in Japan and continued to take market share from Recruit, the owner of Indeed in Japan. Kakaku's latest quarterly results showed double-digit growth and continued expectations of such growth. However, the company announced plans to increase investing in its business, resulting in flat profit growth for the next year, causing investors to react negatively.

Portfolio Activity

We added one new company to the portfolio in the quarter: U.K.-based Ashtead Group plc. Ashtead is one of the two largest heavy equipment rental companies in the U.S. focusing on the construction sector. The market is highly fragmented, with the top two players having 25% market share. Our investment thesis is based on construction companies looking to increase their flexibility by renting, rather than buying, more heavy equipment. We believe Ashtead, which trades at 15 times earnings, can provide double-digit EPS growth and increase its market share.

We removed five companies from the portfolio: Worldline, CK Hutchison Holdings Limited, Intertek Group PLC, Takara Holdings Inc., and Ping An Insurance Group Co.

- 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.
- Intertek is a quality assurance testing company in the U.K. Manufacturers who want to test the quality of their products outsource the work to Intertek or its competitors. Intertek also does building inspections. The company reached our assessment of fair value, so we exited the position.
- Takara is a Japanese company with holdings in several businesses, including health care, alcohol and food export. We increasingly had concerns around capital deployment because the company over-invested in its business and has too much capacity, so we sold the stock.
- Ping An is a Chinese insurance company we originally bought due to its large size and resulting scale advantage over competitors. The company recently cut half its sales force, so our thesis no longer holds, and we removed the company from the portfolio.

Outlook & Strategy

At the end of the quarter, the portfolio traded at 15 times earnings, with expected earnings per share (EPS) growth of 10% in 2025. By comparison, the broader market traded at 14 times earnings, with expected EPS growth of 10%.

Having added one new company and removed five, the portfolio now holds a more concentrated group of 38 companies. We may add one more position in the coming quarters.

We remain focused on identifying attractively valued, high-quality businesses with strong competitive advantages, sustainable earnings growth, and disciplined capital allocation. We believe the portfolio is well-positioned to navigate ongoing macroeconomic uncertainties while capturing growth opportunities in global equity markets. We are particularly optimistic about European companies given their attractive valuations relative to the U.S. market.

Unless otherwise noted, all figures 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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