

The FGP Preferred Share Fund returned 3.42% in the quarter, compared with the S&P/TSX Preferred Share Index return of 2.59%.

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.

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.

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.

Weights as at March 31, 2025		
Type of Preferred Share	Weight in the FGP Preferred Share Fund	Weight in the S&P/TSX Preferred Share Index
Fixed resets	84.1%	75.2%
Straight fixed	6.4%	22.5%
Floating rate	7.1%	2.3%
Floating resets	2.4%	

Source: FGP, TSX

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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