
# Fund Facts

**Fund Unit Value:**
March 29, 2018
$32.0928

**Inception Date:**
June 4, 2010

**RRSP Eligible:**
Yes

**Seymour Investment Management** was founded in 2010 with a vision of creating an employee-owned, client-focused investment boutique with a unique service offering. Seymour provides fee-based discretionary investment management services to both individual and institutional clients.

# Seymour Performance Fund

The investment objective of the Seymour Performance Fund is to achieve superior risk-adjusted investment returns over the long term by investing primarily in small and mid capitalization Canadian equities. The Performance Fund holds a concentrated portfolio of 20-30 core names. In addition to owning a core group of equities, a small portion of the Performance Fund may be invested in event-driven transactions and initial public offerings. The Performance Fund should be viewed as more aggressive (higher risk) than more conventional equity investments such as the Seymour Canadian Equity Fund.

The fee structure for the Performance Fund is based on an annual management fee of 1% of the net asset value, with an annual performance fee of 10% of any annual return over the hurdle rate of 7.5%.

## PERFORMANCE

AS AT MARCH 29, 2018

| Total Return for the Period (%)[1] | QTR | 1 YR | 3 YR[4] | 5 YR[4] | 7 YR[4] | Since Inception[3] |
|---|---|---|---|---|---|---|
| **Seymour Performance Fund[2]** | **-2.6%** | **12.1%** | **9.6%** | **14.2%** | **13.7%** | **18.1%** |
| S&P/TSX Smallcap TR Index | -7.7% | -6.6% | 4.5% | 3.5% | -0.9% | 3.5% |
| S&P/TSX Composite TR Index | -4.5% | 1.7% | 4.1% | 6.9% | 4.3% | 6.8% |

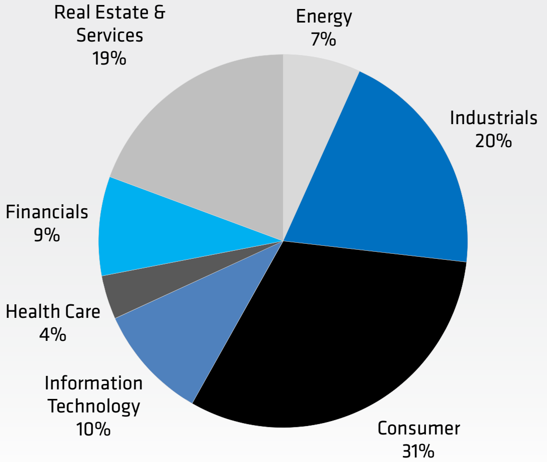
1 The indicated rates of return are the total returns for the period indicated, including changes in security value and the reinvestment of all distributions and do not take into account income taxes payable that would have reduced returns. The funds are not guaranteed; their values change frequently and past performance may not be repeated.

2 NAV performance is shown net of fees and expenses

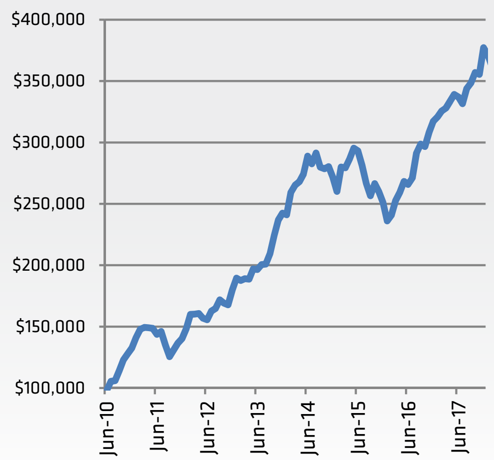
3 Annualized since inception date of June 4, 2010

4 Returns over one year are annualized

## EQUITY SECTORS




## GROWTH SINCE INCEPTION




Seymour Investment Management

Seymour Investment Management Ltd. | 1285 West Pender Street, Suite 900 | Vancouver, B.C. V6E 4B1
Main: (604) 659-1722 | info@seymourinvest.ca | www.seymourinvest.ca

# Q1 Commentary: Seymour Performance Fund

Volatility returned to markets and global equities came under selling pressure in the first quarter. Concerns of inflationary pressures and interest-rate hikes contributed to a broad-based sell-off, as did concerns of a potential trade war and perceived risks to growth. The Canadian benchmark S&P/TSX Composite Total Return Index ('TSX') fell 4.5% and once again lagged other developed market indices, with the Energy sector accounting for 39% of the decline. The Seymour Performance Fund fell 2.6%, yet outperformed the S&P/TSX SmallCap TR Index, which was down 7.7%.

The majority of the Fund's holdings experienced share price declines in the quarter, led by Real Matters Inc. (-27.7% in Q1). Real Matters, a disruptive technology platform company that provides software solutions and services to mortgage lending and insurance companies for appraisals, title & closing, and insurance inspections, is a relatively new position for the Fund. The company was founded by CEO Jason Smith, a successful technology entrepreneur, after the sale of his previous venture in 2004. We were familiar with Real Matters when it was a private company due to our investment in Altus Group Limited, a strategic partner and shareholder of Real Matters since 2008. Following a highly-anticipated initial public offering (IPO) in May 2017 (which we passed on due to valuation concerns), Real Matters' shares came under selling pressure. We believe the weakness reflects 1) near-term concerns about the U.S. mortgage market and 2) a perceived overhang amid speculation that some of the company's early investors may look to exit their positions. We had the opportunity to meet with Mr. Smith on several occasions in 2017, which helped build our conviction that Mr. Smith and his team have successfully put in place the people and processes to execute on a sizeable growth opportunity. Although the company faces some near-term headwinds, we remain optimistic about the company's longer-term growth prospects and have been impressed with Management's execution.

We are often asked whether we participate in IPOs and while we do so selectively, we typically prefer to follow a company and get to know a company's senior management team while it establishes a track record as a public company with reportable documents before initiating a position. While at times we 'miss' the 'hot' IPOs, more often we find that we have an opportunity to buy these stocks in the market with increased conviction at a later date (and often at a lower share price).

Several of the Fund's holdings generated noteworthy gains in the quarter including Brick Brewing Co. Ltd. (+16.3%), Cargojet Inc. (+16.0%), and CCL Industries Inc. (+12.0%). Brick Brewing is Ontario's second-largest independent brewer, producing a variety of premium and value-priced beers and ready-to-drink alcoholic beverages, which it distributes primarily through The Beer Store and the Liquor Control Board of Ontario. We first met CEO George Croft back in 2009, shortly after he joined the company. Since that time, Brick's entrepreneurial management team has successfully executed a turnaround of the company by reducing costs; stream-lining operations; pursuing various brand-enhancing initiatives; introducing new products; executing new co-pack and licensing agreements; and expanding distribution. We believe the company is well-positioned for further growth and recent regulatory reform that favours craft brewers (including the rollout of beer sales in grocery stores) should also be a tailwind.

We recently attended an investor conference in Montreal where we had the opportunity to meet with senior executives from both Cargojet and CCL Industries, two of the Fund's longest-standing and best-performing holdings, which served to reinforce our strong conviction in these core holdings. Cargojet is the leading dedicated provider of time-sensitive overnight air cargo services in Canada, with an unrivalled, dominant position in a steady and growing business that is also benefitting from strength in e-commerce. The company's entrepreneurial and innovative management team continues to aggressively pursue new growth opportunities.

CCL is the world's largest converter of pressure sensitive and film material for label applications. Although CCL operates in a very different business than Cargojet, it shares many of the similar characteristics that we favour in an investment including 1) a leading market position in a steady and growing business with barriers to entry and 2) an exceptional management team. Our recent meeting with Management reinforced our view that CCL is well-positioned to continue to grow the business both organically and through disciplined acquisition using internally-generated cash flows, while maintaining its focus on operational excellence and profitability.

As we discuss in this quarter's client letter, we believe that we have seen the end of the period of exceptionally low volatility that characterized 2017. We addressed the topic of volatility both in our Q4 commentaries and in this quarter's client letter. Although it can be unsettling, volatility creates opportunities for active managers to outperform. We continue to look for new opportunities to invest in great companies with a long-term view.


### CARL HOYT, CFA

Carl Hoyt began his career in 1985 in equity research with Pemberton Securities. In 1989, Carl joined Goepel Shields & Partners as an equity research analyst and became a director of the firm. Carl co-founded Cypress Capital Management in 1998 and as Chief Investment Officer, was instrumental in the firm's growth from its inception to over $4 billion in assets under management.

### KELLY WOODALL, CFA

Kelly Woodall began her career in investment management in 1997. Beginning in 2000, Kelly spent seven years working as a sell-side equity research analyst, providing research coverage of a number of different industries. In 2006, Kelly left the sell side and returned to investment management. In recent years, Kelly has managed a variety of Canadian equity, dividend growth, and small-capitalization mandates.

### KYLE HARRISON, CFA

Kyle Harrison began his career in 1992 with investment dealer Marleau, Lemire Securities, where Kyle was responsible for institutional sales in New York before moving to Vancouver to develop the U.S. West coast. In 1996, Kyle joined CIBC World Markets and attained the position of Managing Director with responsibility for institutional equity sales in Western Canada and the U.S. In 2013, Kyle obtained the Family Enterprise Advisor™ certification.

### ANTHONY WERRY, CFA

Anthony Werry began his career in 1987 at Pemberton Securities in Vancouver, before moving to Toronto to work as an analyst with RBC Dominion Securities. In 1993 he returned to Vancouver with Royal Bank Investment Management as a portfolio manager. In 1999, Anthony became one of the founders of Cypress Capital Management, where he remained as a managing partner until 2014. At Cypress, Anthony managed money for high net worth clients, provided leadership in equity strategy, and managed a high yield fund.