Q2 2022
Quarterly Report

Fund Stats

Fund Unit Value:
June 30, 2022
$31.8837

Inception Date:
June 4, 2010

RRSP Eligible:
Yes

Our Story

Founded in 2010, Seymour Investment Management is an employee-owned, client-focused boutique investment firm with a different kind of focus. Choosing from a carefully selected group of exceptional Canadian companies for our funds, we provide fee-based discretionary investment management services to individual and institutional clients.

Only accredited investors or investors who satisfy the minimum amount investment as defined by applicable securities legislation may invest in the Seymour Pooled Funds. These materials are for information only and do not constitute an offer to sell or a solicitation to buy units of this Fund.

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 fund holds a concentrated portfolio of 20-30 core names. In addition, a small portion of the fund may be invested in event-driven transactions and IPOs. The 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%.

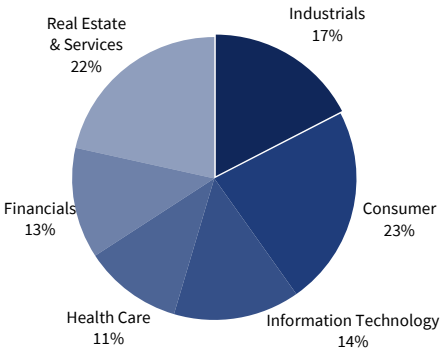
Performance

As at June 30, 2022

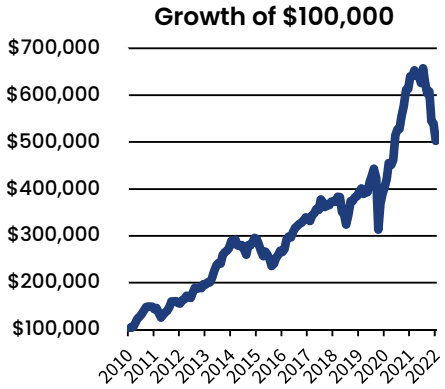
Total Return for the Period (%)[1]	QTR	1yr	3yr[4]	5yr[4]	Since Inception[3]
Seymour Performance Fund [2]	**-17.3%**	**-21.5%**	**8.6%**	**8.3%**	**14.3%**
S&P/TSX SmallCap Total Return Index	-20.8%	-13.8%	6.9%	3.4%	3.8%

1. The indicated rates of return are the total returns for the period indicated, including changes in security value and there investment 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.

Industry Sector Breakdown



Growth Since Inception



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Q2 2022
Commentary

Global equities continued their broad based decline this quarter as recessionary concerns increased given continued inflationary pressures and the expected rate hikes needed to tame them.

The Seymour Performance Fund declined 17.3% in Q2 compared to a -20.8% total return for the S&P/TSX SmallCap Index.

Our investment approach is to own high-quality, well-managed companies with attractive business models and solid balance sheets that we can own throughout the entire business cycle.

In times of economic and market turmoil, our primary focus is ensuring our companies have sufficient cash and liquidity to survive the downturn. The pandemic has been a two year recession test run for companies, agilely navigating supply and demand shocks, and given the uncertainty, restraining capital spending, allowing them to enter a potential recession with better balance sheets than last cycle. Although revenue and earnings may decline in the short term, we are confident in the sustainability of the companies in our portfolio.

Shares of Tecsys, a supply chain software provider, rebounded (+4.8% in Q2) after they had previously declined earlier this year with the technology sector. As we discussed in our Q1 commentary, the outlook for Tecsys' product is as robust as management has ever seen it, with supply chain transformation top of mind for many customers. With a full pipeline and a ramp-up in staffing largely complete, we added to our position on the expectation of improving revenue and margin growth over the medium term.

Shares of Knight Therapeutics, an emerging Latin American and Canadian specialty drug company, were steady (+2.2% in Q2) in an otherwise volatile quarter. We think investors are increasingly interested in Knight given its broad mix of specialty drugs in Oncology and Infectious Diseases that are seeing improving volumes as patients return for doctor and hospital visits after the past covid waves. With ~30% of the current share price in cash, and a recession resilient cash flow stream, Knight is well positioned to license new drugs on its growing platform.

Publicly-traded real estate equities pulled back sharply in the quarter on concerns of slowing economic growth and higher inflation and interest rates.

The Fund's real estate holdings declined, led by residential real estate owner/operator Tricon Residential Inc. (-34.3% in Q2). While rent growth could slow in an economic downturn, residential real estate has historically proved to be a relatively resilient asset class. To date, Tricon's portfolio of single-family rental ('SFR') homes in the U.S. Sunbelt continues to enjoy high occupancy and strong rental growth. Following the recent pullback, Tricon's implied capitalization rate has risen to 6.5 – 7% and we view valuation at current levels as compelling.

Automotive dealership group AutoCanada Inc. shares were under pressure (-32.2% in Q2) on rising concerns about falling auto sales given rising rates and pressure on Canadian discretionary spending. While we expect car prices to moderate from record levels going forward, we believe an overly pessimistic view is being factored into AutoCanada's current valuation. Car volumes are expected to be flat as the current chip shortage has restrained sales to similar levels as past recessions. With a strong balance sheet, AutoCanada recently announced a $100M substantial issue bid which in combination with a previous share buyback will reduce ACQ's share count by >20%. We see this as an excellent use of shareholder capital that immediately adds value to long term shareholders.

While the decline in global equity markets has been swift, we continue our diligence in selecting high quality companies that can withstand and grow through economic stress.

Given the significant contraction of valuation multiples to date, we are seeing attractive opportunities for excess long term returns in a variety of industry sectors.

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