Q3 2022
Quarterly Report

Fund Stats

Fund Unit Value:
September 30, 2022
$28.5849

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%.

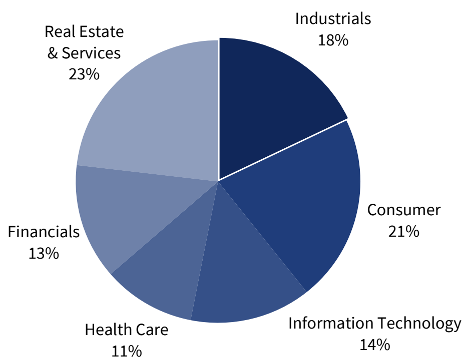
Performance

As at September 30, 2022

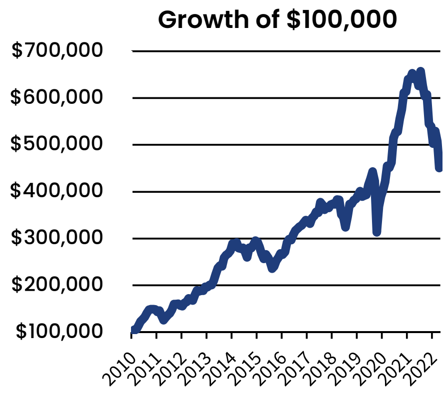
Total Return for the Period (%)[1]	QTR	1yr	3yr[4]	5yr[4]	Since Inception[3]
Seymour Performance Fund [2]	**-10.3%**	**-29.6%**	**4.8%**	**5.3%**	**13.0%**
S&P/TSX SmallCap Total Return Index	-2.5%	-13.8%	6.5%	2.4%	3.5%

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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Q3 2022
Commentary

Global markets continue to exhibit elevated volatility, as central banks aggressively increase interest rates to rein in inflation by slowing economic growth.

After rallying strongly in July, equities sold off sharply in September to end the quarter in negative territory. The Performance Fund declined 10.3% in Q3 and is down 31.4% year-to-date, reflecting growth concerns and a broad-based contraction in valuations.

The Performance Fund is primarily invested in non-resource, small-cap companies that can grow and compound earnings at a faster pace than their larger-cap peers.

Although small-cap equities offer opportunities to generate excess returns over a full market cycle, they tend to do so with greater volatility, which in part reflects the relative illiquidity and the inefficiency of the underfollowed small-cap market. Small changes in volume may have an outsized impact on the share prices of less liquid securities. At September 30, nearly 80% of the Fund's holdings were down > 20% YTD; nearly 60% of holdings were down > 30%; and nearly 40% of holdings were down > 40%. Following the sell-off, which largely reflects a broad-based contraction in valuation multiples, many holdings are trading well below our view of their intrinsic value, offering compelling buying opportunities for long-term, patient investors.

One example of a mispriced stock with an attractive long-term outlook is Hardwoods Distribution Inc.

(-6.8% in Q3 and -41.2% YTD), the largest North American distributor of architectural building products including millwork, doors, stair parts, hardwood lumber and plywood. We have followed Hardwoods for more than 18 years, from the time it IPO'd as an income trust in 2004. Over the last decade, we have watched Management successfully execute a strategy of acquiring small regional players at accretive valuations and growing its portfolio of architectural products and customer channels such as pro dealers and home centers with recent acquisitions. Hardwoods has made supply chain a key competency, leading to market share gains and better pricing and margins. Over the last decade, it has increased sales 8x and EPS by 13x. Although we expect a slowdown in volumes given that Hardwoods' business is tied to new home construction and renovation activity, we are confident that Hardwoods is well-capitalized to weather a significant downturn given its working capital heavy business model allows it to generate more cash when business slows. Although it may take time for the housing market to normalize, Hardwoods can continue its consolidation strategy in a highly fragmented market, growing its earnings potential for the next cycle. We view Hardwoods' valuation as compelling, with the shares trading at a FCF yield of > 20%, and have added to our position on weakness.

At Seymour, our investment strategy is to invest with a long-term time horizon and focus on high-quality companies that are well-capitalized and trade at reasonable valuations, which we can own through a full economic cycle.

Although the Fund's more cyclical holdings may see a temporary reduction in their profitability during the economic downturn, we do not foresee a permanent impairment in the long-term earnings potential for any of the Fund's holdings. In fact, we expect many companies will emerge from the downturn stronger, having cut costs; high-graded talent; and/or capitalized on distressed opportunities. Although small-cap equities typically perform poorly leading into and during a recession, they tend to outperform in the final months of a recession and the early years of the economic recovery. We continue to use market volatility as an opportunity to find compelling buying opportunities with a long-term view of generating excess returns through a full market cycle.

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