Q2 2024
Quarterly Report

Fund Stats

Fund Unit Value:
June 28, 2024
$33.8397

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.

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%.

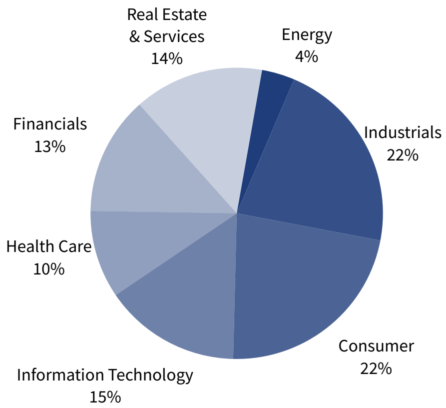
Performance

As at June 30, 2024

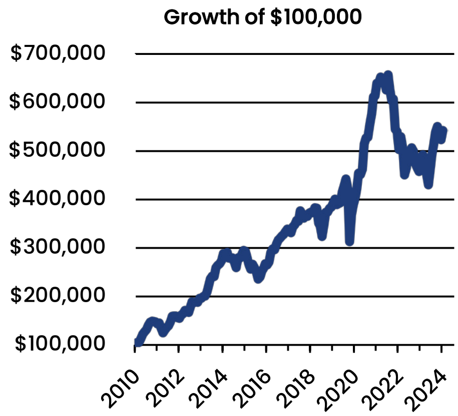
Total Return for the Period (%)[1]	QTR	1yr	3yr[4]	5yr[4]	Since Inception[3]
Seymour Performance Fund [2]	-1.5%	12.9%	-5.4%	6.7%	12.8%
S&P/TSX SmallCap Total Return Index	0.8%	14.4%	1.3%	8.1%	4.6%

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 2024
Commentary

Shifting interest rate expectations contributed to equity market volatility in the second quarter. The Seymour Performance Fund fell 1.5%, which compares to +0.8% for the resource-heavy S&P/TSX SmallCap Total Return Index. Smaller-cap equities and interest rate sensitive equities including REITs underperformed, while resource stocks outperformed. According to estimates compiled by the Scotia portfolio strategy group, small-cap resource stocks climbed 3.8% in the quarter while non-resource small-cap stocks were down 3.6%.

Small-cap stocks continue to trade at discounted valuations relative to their larger cap peers, and we are seeing compelling value in a number of our holdings, particularly in the real estate, consumer discretionary and industrial sectors. We have opportunistically added to our positions in self-storage provider StorageVault Canada Inc. (-9.7% in Q2), toy manufacturer Spin Master Corp. (-18.7% in Q2), and pet retailer Pet Valu Holdings Ltd. (-16.9% in Q2).

We recently met with Spin Master's management team for an encouraging update as the company navigates a slower consumer spending environment. We learned that Spin Master's pipeline of innovative toys and media properties is expected to have a strong launch year and the cross-sell from the recent acquisition of Melissa & Doug, LLC will bring multi-year benefits. Spin Master's expanding global footprint and solid track record have increasingly made it an attractive partner for content owners. We understand that the Marvel and Star Wars licenses could be available next year, and securing either would be a significant win.

We recently initiated a new position in Pet Valu, a national pet food and supply retailer with more than 700 locations, after the shares pulled back by more than 35% as consumer spending softened and the company entered a heavy investment period. We see Pet Valu as an attractive, high-quality, growing franchisor business that is trading below its intrinsic value. We have admired this company since its IPO in 2021, as it meets many of the criteria we look for in a winning retailer: high return on investment in new stores (typically 2-3 year paybacks), strong management, and the opportunity to drive higher sales/margins through new products and process improvement. While Pet Valu is lapping the COVID adoption boom of pets and is seeing pressures on consumer spending, we are comforted by the relative resilience of pet spending today and in past economic cycles.

Shares of Park Lawn Corporation surged after the company entered a takeover agreement for $26.50/share, which represented a 62.1% premium to its previous closing price. This is the third consecutive quarter in which the Fund has received a takeover bid for one of its holdings from private equity players. (Recall Neighbourly Pharmacy Inc. and Tricon Residential Inc. were recently acquired by private equity at material takeover premiums). We would not be surprised to see additional privatizations given that many publicly-traded small-cap companies are trading at significant discounts to intrinsic value and their private market peers. (Notably, as we are penning this commentary in early July, landing gear manufacturer Héroux-Devtek Inc., the Fund's largest holding, has announced an agreement whereby it will be acquired by a U.S. private equity firm for $32.50/share, which represents a 26.4% premium to its previous closing price).

We continue to see attractive buying opportunities for high-quality Canadian companies with attractive growth profiles, particularly in the under-owned small- and mid-cap segment of the capital markets. Small-cap stocks in virtually all industry sectors (with the exception of Energy) are trading below the previous highs that were set several years ago before central banks began raising interest rates. Many companies have generated significant earnings growth during this period, and their valuation multiples have fallen to the low end of their historical trading ranges. If history is any indicator, rate cuts could prove to be a catalyst for a meaningful revaluation that could provide very attractive returns for small-cap equities.

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