

Q4 2024 INVESTOR UPDATE

Langdon Canadian Smaller Companies Portfolio

Performance	Q4-2024	2024	1-Year	2-Year	3-Year	Since Inception ²
Langdon Canadian Smaller Companies Portfolio ¹	2.8%	13.1%	13.1%	14.5%	NA	13.4%

1 LEPI10 (Class F) - performance is net of fees

2 Since date of August 26, 2022

Returns greater than one year are annualized

Past performance is not indicative of future performance. Please see the important information in the endnote below

You get the shareholders you deserve

Relationships are important to us. As a team, we commit significant time to building relationships with both our portfolio companies and our clients. These relationships are often mutually beneficial. In many cases, our access to management teams has given us unique insights into a business or strengthened conviction in an existing variant perception ([we wrote about Variant Perception in our Q2 commentary](#)).

The same applies to our clients. We encourage engagement and interaction, as we believe this fosters more fruitful, transparent, and long-term relationships. Within our research process, we typically spend significant time with management teams upfront, immersing ourselves in the business and its operations. That said, there are times when we cannot build a relationship with a company—whether due to their unwillingness to commit time or accept feedback. When this happens, we do not move the business further in our research process.

Many of you who have met with us are likely familiar with some of our commonly used phrases, but I'd like to introduce another: "You get the shareholders you deserve." Put simply, if you're unwilling to commit the time to meet long-term investors, you're unlikely to find them on your shareholder registry. Similarly, if you invest the time to help the right investors get to know your business and the people behind it, you're much more likely to find them as owners of the business.

What typically underpins this willingness to engage is culture. Culture attracts like-minded talent, motivates organizations, and fosters employee tenure. It shapes decision-making and drives the timeframes over which success is measured. These attributes collectively attract a certain type of investor, partner, or shareholder.

As long-term investors in Canada, we are often granted heightened access to management teams, which helps us build relationships with those who share a long-term mindset. There's no better testament to culture than long-term ownership by management—a recent addition to the Canadian Smaller Companies portfolio exemplifies this.

A&W – A Culture-Driven Success Story

A&W, which many will know for its iconic Burger Family, traces its roots back to 1923 in California. The Canadian arm of the business opened its first location in Winnipeg in 1956. Soon after, A&W Canada pursued independence from the U.S. business, and by 1972, the business was acquired by Unilever. However, operational challenges prompted management to launch a buyout, creating the A&W we know today.

Since 1991, A&W Canada has had only three CEOs, with the current CEO joining in 1992. Remarkably, the founders still own ~35% of the business 35 years later. This long-term ownership reflects a culture that not only attracts and retains talent but also fosters a shared commitment to sustainable, long-term success.¹

A&W's culture permeates every aspect of its decision-making. For instance, a decade ago, the company undertook what we believe to be a thoughtful, five-year rebranding effort—the first in its history—to appeal to a new generation. This strategic focus on high-quality, sustainable ingredients rejuvenated the brand and positioned it as a leader in ethical sourcing. It was also a key factor in A&W winning the license to bring the UK-based Pret-A-Manger brand to Canada.

Our conviction in A&W's potential was solidified through firsthand experiences. During our 2024 Tour du Canada, we added A&W to our watchlist and began engaging with management to understand Torquest's vision for the business. This culminated in a visit to A&W's Vancouver headquarters, where we spent three hours with the senior strategy team. Their depth of talent, cultural alignment, and hunger for growth left a lasting impression.

Today, A&W is Canada's second-largest burger chain and has merged its operating business with its publicly listed royalty company, creating a pure-play multi-brand Quick Service Restaurant (QSR). The company boasts a strong track record of profitable growth, reinvesting in new restaurants at attractive returns and generating substantial cash flow. The recent Pret-A-Manger rollout and a valuation disconnect relative to North American QSR peers position A&W for significant value creation in the years ahead.

A&W's culture and long-term focus are reflected in the tenure of its senior leadership. On average, members of the senior management team have been with the company for over 20 years (as seen in the graphic below), with several starting as cooks in A&W restaurants. This depth of experience and alignment is a testament to a culture that prioritizes growth, sustainability, and long-term success.

Highly Experienced Management Team

20+ Years of A&W Experience on Average



Source: [A&W investor presentation](#)

Culture attracts talent, which we can see with the depth within the organization – there are multiple layers of high caliber talent at A&W. This culture also permeates decision making and strategy at A&W, leading to a focus on strategy that delivers long-term sustainable success for the business. Heightened conviction in our variant perception came from experiencing this culture first-hand and spending time with the team on their home turf.

Portfolio Attribution for the Quarter²:

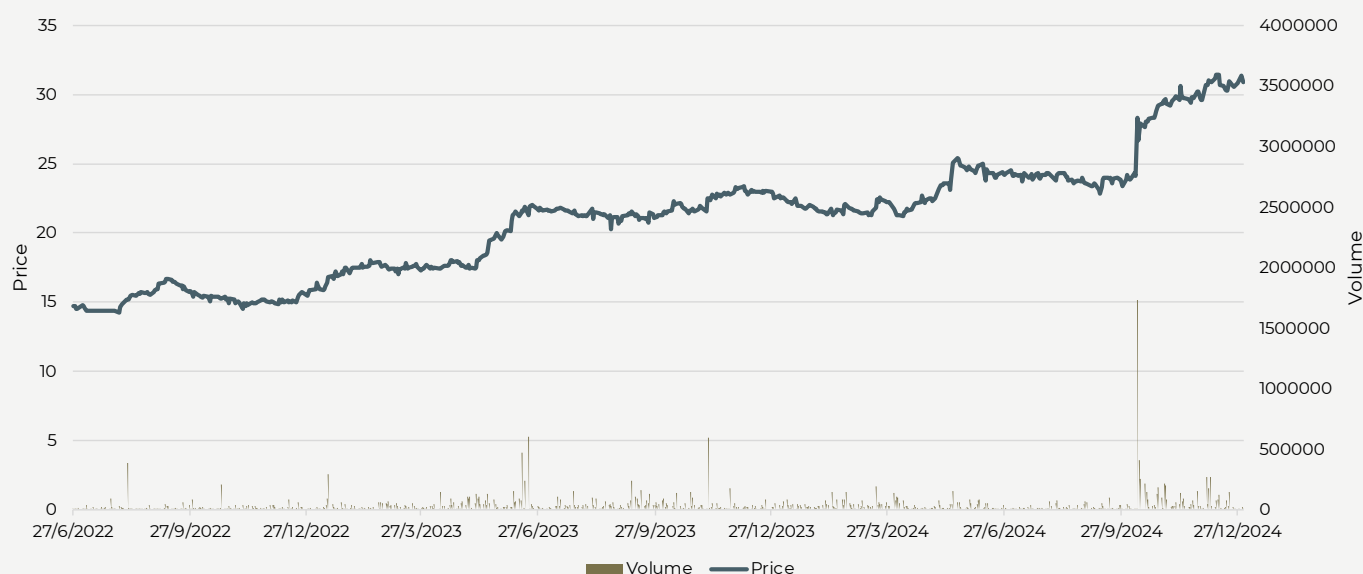
The main detractor this quarter was StorageVault, the largest owner and operator of self-storage assets in Canada. The stock declined approximately 25%², as the business is experiencing a prolonged period of elevated move-outs driven by weak consumer sentiment. However, StorageVault has successfully deployed capital into acquisitions and organic growth through weaker macroeconomic conditions in the past. We maintain high conviction in the management team's ability to drive growth in the coming quarters.

Looking at the full calendar year, the strongest contributors to performance were TerraVest (+150%), Aritzia (+95%), Definity (+60%), and Topicus (+40%). Offsetting this were underperformers, ATS (-20%) and Boyd (-20%).²

Company Highlight: Westaim - Good Things Happen to Good Companies

By a wide margin, the most impactful item to discuss is the transaction announced on October 9th. CC Capital, a private equity firm in New York run by one of Blackstone's most senior retired dealmakers, will invest \$250 million USD into Westaim. This will provide a ~40% stake and a path to control the Board over time, subject to certain stock and business milestones. Longtime supporters will recall that we have owned shares in this company since the inception of our firm (and even before establishing Langdon). We have always had deep respect for the quality of its assets and the capabilities of its leadership team. This transaction, along with the highly successful IPO of Skyward Specialty Insurance, serves as third-party validation that our initial assertions appear to be correct.

Westaim Stock Price History



Source: Bloomberg

For a refresher, Westaim is a holding in both our Global and Canadian Portfolios. They are an investment holding company, specializing in acquiring and developing or restructuring businesses operating primarily within the global services financial industry.

While we have been fortunate at Langdon to enjoy strong returns from our investment in Westaim it has very much been an “overnight success” a decade in the making. Since Langdon’s first purchase in August 2022, we’ve earned 2x Multiple of Capital (MoC).³

Since 2014, Westaim’s management team has worked tirelessly to build a private credit manager (Arena Investors) from scratch and to turn around a U.S. specialty insurance company (Skyward).

In 2024, they successfully exited their investment in Skyward, which has nearly tripled since its IPO in Q1 2023. Skyward, also held in our portfolio, has contributed meaningfully to returns. The exit delivered approximately 2.5-3x MoC, translating to roughly a 13% gross annualized return (IRR) in USD—or closer to 15% in CAD. As shown below, their only other exit was a shorter hold, generating a 2x MoC and a 33% gross IRR in CAD.³

USD	JEVCO				HIIG/SKWD											
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	
Outflow (\$M)	\$ (161.0)	\$ -	\$ 265.0	\$ 265.0	\$ (75.7)	\$ (50.6)	\$ -	\$ -	\$ -	\$ -	\$ (44.0)	\$ -	\$ -	\$ 192.3	\$ 256.3	
Mgmt comp (\$M)					\$ 1.9	\$ 1.7	\$ 2.1	\$ 3.0	\$ 3.7	\$ 3.7	\$ 3.8	\$ 5.0	\$ 4.8	\$ 16.0	\$ 10.0	
Net flows					\$ (76.7)	\$ (51.5)	\$ (1.1)	\$ (1.5)	\$ (1.9)	\$ (1.9)	\$ (45.9)	\$ (2.5)	\$ (2.4)	\$ 176.3	\$ 246.3	
- assume 50% of comp is for time spent on SKWD																

Source: Bloomberg – Past performance may not be indicative of future returns.

You must be asking: “How could this company still be trading below net cash on its balance sheet?” That is the very question we’ve been asking for most of the past decade—and it remains valid today!

The successful monetization of Skyward above where Westaim had it marked on its balance sheet at the end of 2022 attracted more investor interest in the material dislocation between price and value. It also brought in a highly experienced and successful investment firm (CC Capital), which will become Westaim’s largest owner once the deal closes in Q1 2025. We were wall crossed on this transaction and voted in support of it. We believe it positions Westaim and Arena well to transition from a NAV-based valuation model to one that will eventually trade on earnings.

Regarding alignment between CC Capital and Westaim, there are conditions to be met before a full take private could be executed. CC Capital is not allowed to make a bid for the remainder of the company for 3 years post transaction close. In addition, CC Capital cannot elect a 6th board member, of the 11-person board, until the stock price goes above \$48.00 CAD (\$8.00 pre-share consolidation). These terms create a multi-year runway for the public market to sensibly value this company.⁴

Beyond injecting capital into Westaim above market price, CC Capital is also contributing talent and an insurance platform.⁵ This platform will serve as the foundation for an insurance-led asset

management firm, a model that has become a valuable driver of asset growth among alternative asset managers. Examples include Apollo/Athene, Ares/Aspida, Blackstone/F&G Annuities, and Brookfield/BIS. Westaim has already redomiciled to Delaware from Alberta, making it no longer a Canadian company (a reality we have argued for years). We expect several analysts to begin covering this company in its new incarnation in 2025.

There is much more to this transaction than we can cover in this letter. However, after several meetings with the incoming management team, we feel very optimistic about the company's future prospects. We also see low downside risk, with the stock still trading below cash value.

Thank you for your continued support.



Written by

Joel Hurren

Investor

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- 1 Various Companies Filings
 - 2 Portfolio Company returns within attribution are sourced from Bloomberg
 - 3 Past performance may not be indicative of future returns
 - 4 Bloomberg
 - 5 Westaim press release October 9th [CC-Capital-Westaim-Press-Release.pdf](#)

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For historic TMD's please contact Pinnacle Client Service Phone 1300 010 311 or Email service@pinnacleinvestment.com

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