

Q1 (+1 MONTH) 2025 INVESTOR UPDATE

Langdon Canadian Smaller Companies Portfolio

Performance	April 2025	Q1-2025	YTD	1 Year	2 Year	3 Year	Since Inception ²
Langdon Canadian Smaller Companies Portfolio ¹	0.6%	-7.2%	-6.7%	3.3%	6.3%	-	8.8%

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

2 Since date of August 26, 2022
Performance as at April 30, 2025

Returns greater than one year are annualized

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

The tariff headlines, and their potential implications, have been the dominant narrative in the market in 2025. Given the constantly shifting landscape, we chose to take an extra month with this quarter's update to ensure we had enough time to properly digest developments and clearly articulate our views.

Portfolio Attribution

We believe it's important to communicate transparently with our clients in both good times and bad. While we are disappointed with the portfolio's performance this quarter, we remain committed to sharing honest assessments of where we stand. During a sharp market downturn, we expect the portfolio to offer strong downside protection – driven by businesses with low downside to our estimates of intrinsic value relative to their current share price (many of the [“tugboats” we’ve discussed in past commentaries](#)). However, during the recent market sell-off, the portfolio in aggregate did not deliver the downside protection we would have expected.

This was largely driven by underperformance in three holdings — Dye & Durham, Groupe Dynamite (a recent TSX IPO), and Sylogist. Many of our core holdings were also down in the low-to-mid single digits.

While it's easy to point to limited liquidity as a reason for this, we were surprised to see Guardian Capital down 3% through April despite it already trading below the value of cash and marketable securities on its balance sheet.

This was also compounded by Aritzia, which had a strong start to the year – up 35% by mid-February as the business delivered stronger-than-expected U.S. growth – but it rapidly retraced and ended April down 9% due to concerns around its exposure to suppliers in Cambodia and Vietnam, despite leading its peers in sales and adding the largest amount of square footage in a single year in its history. That said, we trimmed our position following the strong stock performance to start the year. Aritzia has navigated supply chain complexities for the past decade, and we have confidence that this time will be no different. As of writing, the stock is up ~7% YTD.

As long-term investors, we get to know management teams over time and were fortunate to have timely meetings with the majority of the portfolio in the quarter:

- Dye & Durham
- Sylogist
- Groupe Dynamite
- Richelieu
- Aritzia
- ATS Corp
- Boyd
- EQB
- StorageVault
- Andlauer

Having access to management teams during both good and challenging times is key to developing unique insights into industries and businesses. By asking long-term questions and probing the operations of these companies, we gain a deeper understanding of how proactive or reactive they are in navigating their respective environments. Most of these meetings furthered our conviction, and in many cases, we took advantage of market dislocations to add to our positions.

Andlauer is a business we have built a very strong conviction in over the past three years; increasing our position over time given the low fundamental downside and long runway for growth. In mid-April, UPS (a major customer of Andlauer) announced an agreement to acquire the business at an ~30% premium, providing a strong return to the Canadian Smaller Companies Portfolio.

A bright spot during the quarter was Terravest, which was up 30% following its largest acquisition to date, U.S.-based EnTrans, a manufacturer of tanks and trailers. With a business like Terravest, a consistent acquirer in the tank manufacturing space (fuel transportation and storage, water and food transportation, etc.), it's important to give management credit for its track record. With a proven business and team, we believe they deserve credit for future inorganic growth. We've been impressed with every member of the management team we've met, and while this acquisition was large, we don't believe it will be their largest.

Company highlight: Andlauer Ownership Journey

Over the past few years, UPS has been deploying capital into its healthcare business, and in mid-April, it announced the acquisition of Andlauer Healthcare Group.

Andlauer is a business we featured in a [Case Study Webinar in 2024](#), and it's one that many of you interact with daily. The company transports approximately 85% of the pharmaceutical products used in Canada and provides logistics services to around 35% of the Canadian healthcare industry. You've likely seen ATS Healthcare vehicles on the road in your community, and there's a good chance that any pharmaceutical product you or a family member has used was transported by Andlauer.

We emphasize the importance of people in the success of smaller companies, and Andlauer is a world-class example. It's led by what we've referred to as a large-cap management team, including a CFO and Chief Strategy Officer who both joined from UPS Healthcare. From our very first visit to Andlauer's local facility in Vaughan, Ontario, it was clear that for Michael Andlauer, culture and employees came first. He had assembled a team capable of winning championships, and we were fortunate to build a relationship with them. We believe culture would have been a major focus for Michael Andlauer as he worked with UPS to finalize the deal.

Over the past three years, we've visited Andlauer facilities in several provinces and met leaders across departments; that culture persists nationwide. While the consensus view was that Andlauer was simply an expensive trucking business, we quickly recognized it as a provider of critical logistics services to healthcare customers across Canada. With value-add logistics driving outsized margins and returns, and a customer base that is not cyclical, Andlauer's position was highly defensible. As long as service levels remain high, these customers have little reason to switch providers.

Compared to North American transportation businesses, Andlauer boasts best-in-class operating ratios (ORs), a sticky customer base, and yet has historically traded at a discount to peers.

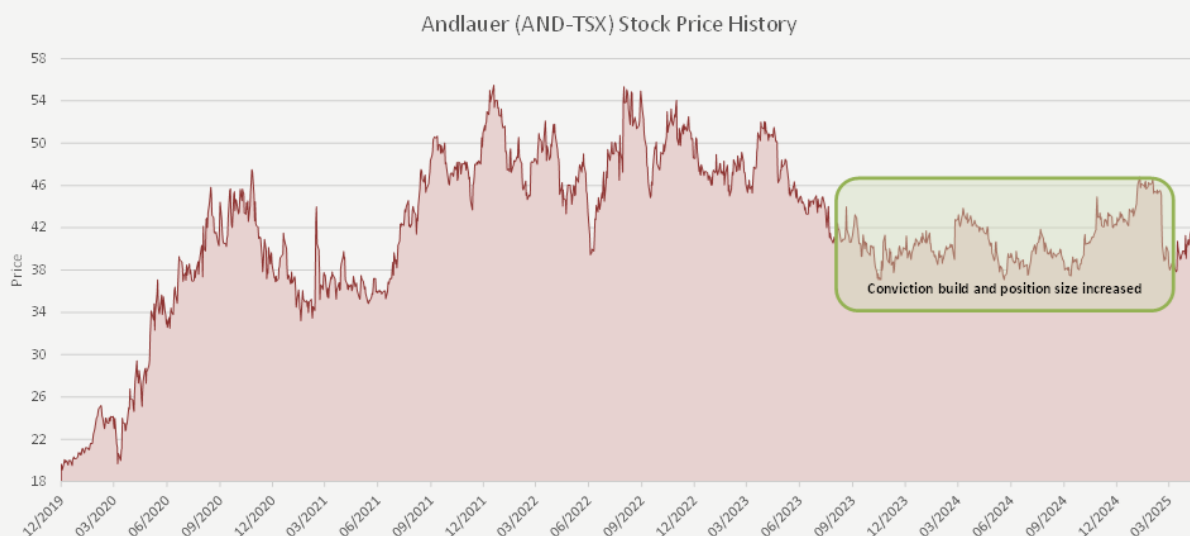
Our largest holdings are typically those with asymmetrical upside relative to the downside. Andlauer was just this – a business growing at ~7.5% organically, generating 20% returns on invested capital that had been dragged down by a small subsidiary in the USA which was not performing well.

As with any investment, ongoing maintenance work and conviction-building were critical.

As we spent more time with the business and engaged with the management team, we increased our position through 2023 and 2024—ultimately holding a 9% weight before the transaction was announced. The green rectangle in the chart below outlines the period during which we built our position.

Many of you who have interacted with us have seen or heard our conviction in Andlauer. We're always disappointed when a business with such a long runway for profitable growth, strong returns potential, and, most importantly, great people, is acquired. To all the leaders and employees at ATS Healthcare, Accuristix, and LSU we've met over the past three years – we wish you continued success within UPS.

Andlauer (AND-TSX) Stock Price History



We believe we've invested in a collection of great businesses that, in aggregate, look very different from the Canadian index. We're seeing a lot of opportunity, particularly as many U.S.-exposed businesses have weakened in recent weeks. We believe the companies we own are well positioned to navigate a range of economic backdrops – tariffs or no tariffs – and continue to create value over time.

Thank you for your continued support.

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