Quarterly Report

# Steadyhand

# Q2
2024

"You have to be humble and patient to be successful ..."

— Roger Federer

# Bradley's Brief

It's Wimbledon time and I'm a big fan of 8-time winner, Roger Federer. He plays a beautiful game and I count myself lucky to have seen him play.

Federer has been in the news lately. He gave the commencement speech at Dartmouth. I first discovered it in the 'A Wealth of Common Sense' investment letter where Ben Carlson highlighted the following excerpt.

"In tennis, perfection is impossible ... In the 1,526 singles matches I played in my career, I won almost 80% of those matches ... Now, I have a question for all of you ... what percentage of the POINTS do you think I won in those matches? Only 54%."

Yes, 54% translated into 80%, with the difference being time. Switching to investing, Ben points out that the stock market is up 52% of trading days, but over longer periods, the percentage approaches 100%. In other words, a coin toss day to day. Highly reliable when the time frame is extended.

This is a good story for individual investors. Time is an advantage you have over virtually all other types of investors. You don't have to pass a regulatory test every three years like pension funds do or answer to impatient Boards of Directors.

There are three key benefits to having a long-term mind set.

**You can ride out short-term volatility.** Stocks bounce around ... a lot ... on the way to being up 100% of the time. Most of this volatility, however, is a result of investors having different time frames, not because they have different views. A day trader interprets a press release as bad news while a buy-and-hold investor sees it as one more data point on a long journey.

**You can profit from periods of heightened fear and risk aversion.** You don't need to make a brilliant (and brave) market call to take advantage of bad markets. You do that when you make regular RRSP or TFSA contributions (i.e. averaging down), rebalance back to your strategic asset mix (SAM), and/or own the Founders or Builders Funds.

**And you'll be rewarded for providing liquidity.** You can capture a premium return by investing in less liquid investments, or providing capital to companies and other investors when they desperately need it.

The catch, of course, is that being a disciplined long-term investor is difficult (as I've pointed out in previous Briefs). The eco-system around you, specifically a sales-oriented investment industry and the media, is built on reacting to short-term news which in turn creates a need to do something.

Fortunately, that's where we come in. As I outlined at our recent Where to From Here presentation, we're wired to stay steady and help clients run the investing gauntlet. Lately, this has meant staying widely diversified while one sector of the market — mega-cap tech — is driving performance and once again causing FOMO for investors.

Heavy stuff for a summer that's never long enough. Enjoy the sun, and if you get a rainy day and want to talk about your portfolio, investing in general, or even tennis, we're here for you.

# Key Takeaways

## Stocks

- Equity markets had a mixed quarter. Mega-cap technology stocks propelled the U.S. market to new heights (+5.4%) while European markets were impacted by weakness in France after President Macron called a snap election, which raised uncertainty in the Eurozone. Emerging markets performed well, but global small-caps were weaker.
- Canadian stocks were laggards (-0.5%). Most bank stocks slipped on weaker earnings reports, while the real estate, telecom, and industrial sectors also declined. Base metals performed well, on the other hand, and copper and gold stocks were bright spots.
- The Canadian dollar was largely unchanged against the U.S. dollar, Euro and Pound. It rose 5% against the Yen, however, which dampened the returns of Japanese stocks.

**Market Returns**

| | 3M | 1Y |
|---|---|---|
| Canada | -0.5% | 12.4% |
| World | 3.2% | 23.3% |

## Bonds

- The Canadian bond market (Morningstar Canada Core Bond Index) rose 1.0%.
- Bond yields rose in April but pulled back in May and June, finishing the quarter close to where they started. The benchmark 10-year Government of Canada yield ended June at 3.5%, up marginally in the period.
- The Bank of Canada lowered its key lending rate by 0.25% (to 4.75%), marking its first interest rate cut since early in the pandemic.

| | 3M | 1Y |
|---|---|---|
| Bonds | 1.0% | 3.6% |

## Our Funds

- Our fund returns were fairly muted in the quarter (the Global Small-Cap Fund was the exception). Our balanced clients' portfolios were flat. Over the past 10 years, our balanced clients have gained roughly 5% per year.
- Our stock weighting in the Founders Fund is hugging its target of 60% based on our views on corporate fundamentals, valuations, and investor sentiment.
- In the context of our balanced portfolios, recent transactions include the purchase of Andlauer Healthcare (Canada), Greenbrier Companies (U.S.), and Embraer (Brazil); and the sale of KDDI (Japan), Park Lawn (Canada), and Vail Resorts (U.S.).

**Fund Returns**

| | 3M | 1Y |
|---|---|---|
| Savings | 1.2% | 4.8% |
| Income | 0.1% | 3.9% |
| Founders | 0.1% | 7.7% |
| Builders | -0.3% | 11.0% |
| Equity | 1.1% | 8.9% |
| Global | -0.1% | 15.0% |
| Small-Cap | -0.5% | 10.9% |
| Global Small-Cap | -4.4% | 6.5% |

# Our Advice to Clients

We recommend you be at or near your long-term target for stocks. In the Founders Fund, our equity weighting is 59%. We feel valuations are generally reasonable, outside of the technology sector, that is. Our focus is on profitable, well-financed companies that are in a good position to improve their market leadership. Our outlook for bonds is positive given prevailing yields. To complement the longer-term bonds in the Income Fund, we also recommend holding a position in the Savings Fund, which is yielding 4.7% (pre-fee). Currently, 8% of the Founders Fund is in cash (including the Savings Fund).

For our latest thoughts on asset mix and the advice we're giving clients, you can always visit the Current Outlook page on our website, or give us a call at 1.888.888.3147.

# Founders Fund

## Fund Overview

- The Founders Fund is a balanced fund with a target asset mix of 60% stocks and 40% fixed income. It gains this exposure from investing in Steadyhand's other funds.
- Tom Bradley manages the fund along with Chief Investment Officer Salman Ahmed. They have considerable scope to adjust the portfolio although without extremes in valuation and investor sentiment, their bias is to stay near the target mix.

The fund was up 0.1% in the quarter. Since inception (Feb 2012), it has a cumulative return of 103%, which equates to an annualized return of 5.9%.

## Portfolio Specifics

- The fund finished the second quarter unchanged (+0.1%), after absorbing some market weakness in April. The best contributor was the Savings Fund while small-cap stocks gave back some of their first quarter gains.
- The portfolio's asset mix was also largely unchanged from previous quarters. It mirrors the fund's long-term target. Stocks are just slightly below the 60% level and the bond weighting, which has edged higher, is now close to a full allocation. Cash holdings in the underlying funds and Savings Fund were unchanged.
- We continue to be positive about the fixed income holdings, which come mostly through the Income Fund. Bonds provide Founders with above-inflation income and will be good diversifiers the next time we have a period of weak stock prices.
- We're maintaining a meaningful position in the Savings Fund (6%) for similar reasons — income and downside protection. It doesn't have the same return potential as the Income Fund but adds to Founders' diversification. The Savings Fund tracks a steadier path than the Income Fund and when needed, is a ready source of liquidity.
- As a reminder, we don't make big or sudden moves to the fund's asset mix, but rather gradual, deliberate changes based on bond and stock valuations, market sentiment (a contrarian indicator of value), and our fund managers' views of the economic and market fundamentals. It's important to keep in mind, however, that while Founders' asset mix is important, returns are primarily driven by the performance of the underlying funds. It's through these 6 funds that Founders owns a mix of bonds and stocks across a wide range of industries, geographies, and currencies.
- The largest transactions in the underlying funds during the quarter included new holdings in Andlauer Healthcare Group (Canada), Greenbrier Companies (U.S.), Embraer (Brazil), and Ventia Services Group (Australia); and the sale of KDDI (Japan), Park Lawn (Canada), Vail Resorts (U.S.) and Integral Ad Science (U.S.).

### Fund Mix

| | |
|---|---|
| Income | 43% |
| Global | 20% |
| Equity | 20% |
| Small-Cap | 5% |
| Global Small-Cap | 5% |
| Savings | 6% |

### Asset Mix

| | |
|---|---|
| Foreign Stocks | 33% |
| Canadian Stocks | 26% |
| Gov't Bonds | 20% |
| Corporate Bonds | 13% |
| Cash & Short-term | 8% |

## Positioning

- The fund is not venturing far from its strategic asset mix (SAM). There are currently no extremes in the indicators we look at that would prompt us to deviate meaningfully.
- For more details on the underlying funds, please review pages 8-18.

Fund size $657,212,704

# Founders Fund

## Attributes

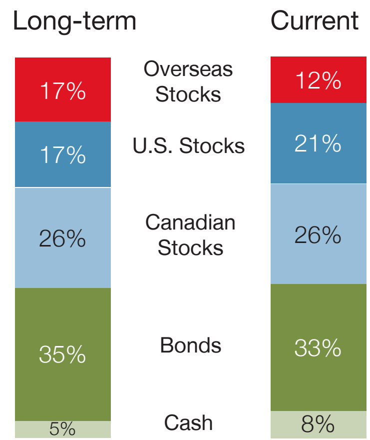
### Top Stock Holdings (% of Fund)

| | |
|---|---|
| Microsoft | 2.1% |
| CN Rail | 1.4% |
| Thomson Reuters | 1.4% |
| Danaher | 1.3% |
| Visa | 1.2% |
| Constellation Software | 1.2% |
| S&P Global | 1.0% |
| TMX Group | 1.0% |
| Costco Wholesale | 1.0% |
| Intact Financial | 0.9% |

### Sector Allocation (Stocks)

| | |
|---|---|
| Industrial Goods & Svc | 26.5% |
| Financial Services | 19.3% |
| Technology | 14.8% |
| Healthcare | 7.6% |
| Retailing | 7.5% |
| Consumer Cyclical | 7.0% |
| Consumer Products | 5.0% |
| Oil & Gas | 3.9% |
| Basic Materials | 3.5% |
| Real Estate | 3.1% |
| Utilities & Pipelines | 1.4% |
| Comm. & Media | 0.4% |

### Asset Mix



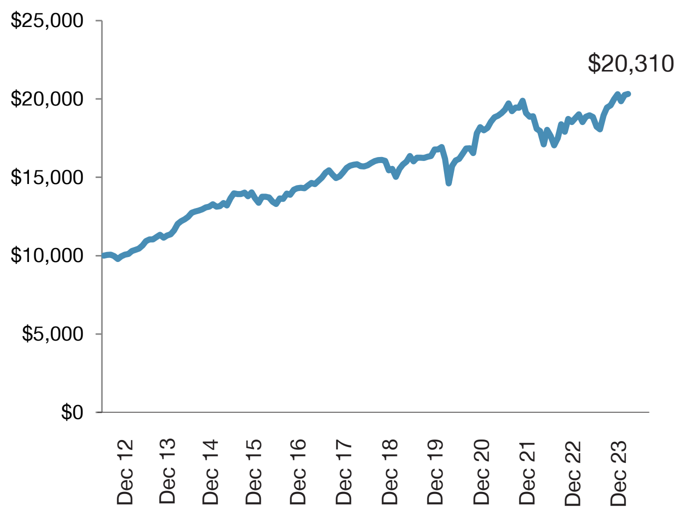

## Performance

### Compound Annualized Returns (as of June 30, 2024)

| | 3M | YTD | 1Y | 3Y | 5Y | 10Y | 15Y | Incep[1] |
|---|---|---|---|---|---|---|---|---|
| **Founders Fund (after-fee)** | **0.1%** | **4.4%** | **7.7%** | **2.1%** | **4.6%** | **4.5%** | **N/A** | **5.9%** |
| Canadian Bond Index | 1.0% | -0.4% | 3.6% | -1.8% | -0.2% | 1.8% | N/A | 2.0% |
| Global Stock Index ($Cdn) | 3.2% | 15.0% | 23.3% | 9.5% | 12.1% | 11.6% | N/A | 13.1% |
| Canadian Stock Index | -0.5% | 6.3% | 12.4% | 5.6% | 8.7% | 6.2% | N/A | 7.1% |

[1]Feb 17, 2012

### Growth of $10,000 Since Inception




### Best and Worst Annualized Returns

# Builders Fund

## Fund Overview

- The Builders Fund is an all-stock portfolio designed for growth-oriented investors. It is a fund-of-funds that invests mainly in Steadyhand's four stand-alone equity funds — Equity Fund, Global Equity Fund, Small-Cap Equity Fund, and Global Small-Cap Equity Fund.
- The mix of underlying funds is managed by Chief Investment Officer Salman Ahmed, with Chair and co-founder Tom Bradley as co-manager.

The fund was down 0.3% in the quarter. Since inception (Feb 2019), it has a cumulative return of 40%, which equates to an annualized return of 6.5%.

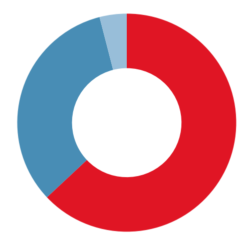
## Portfolio Specifics

- The fund fell 0.3% in the quarter and is up 7.9% year-to-date. Its performance was ahead of the Canadian market but trailed the broad global index.
- Investments are allocated roughly 1/3 towards companies based in Canada and 2/3 towards foreign businesses. The bias to foreign companies reflects a broader opportunity set outside of Canada, particularly in important industries like healthcare, technology, and consumer products & services.
- The largest area of investment, industrial goods & services (30% of the portfolio), includes a diverse mix of companies such as railways CN Rail and Canadian Pacific Kansas City, Oshkosh (specialty vehicles and access equipment), Casella Waste Systems (waste management) and Savaria (home elevators and mobility products). Performance of the group was mixed in the quarter.
- Financial services companies make up 17% of the fund. Large holdings include Visa, TD Bank, and S&P Global. We also own a group of leading insurance companies, including RenaissanceRe, AIA Group, and Steadfast. CME Group (derivatives marketplace), FirstCash Holdings (pawn stores), FinecoBank (Italian online bank) and TMX Group (market exchanges) provide additional diversification.
- The technology sector is another important area of investment, comprising 16%. Our focus is on established industry leaders such as Microsoft, which is our largest holding. Other investments include Samsung Electronics (diversified technology), Qualcomm (chips for smartphones), Constellation Software (software) and Onto Innovation (defect inspection solutions for semiconductor manufacturers). Our holdings performed well, but didn't keep pace with the mega-cap AI-related stocks that continued to drive the sector.
- The portfolio also has notable exposure to consumer stocks, including Costco (big-box retailer), Loblaw Companies (grocer) Coca-Cola (soft drinks), Dollarama (discount retailer), Heineken (beer), and Nestle (snacks and coffee). These companies don't perform as well in roaring markets but are more likely to hold up in difficult economic periods. Low-cost retailers were strong performers in the quarter.

**Fund Mix**

| | |
|---|---|
| Equity | 35% |
| Global | 35% |
| Small-Cap | 15% |
| Global Small-Cap | 15% |

**Asset Mix**




| | |
|---|---|
| Fund size | $214,940,831 |

## Positioning

- Refer to pages 10-17 for details on the underlying funds.

# Builders Fund

## Attributes

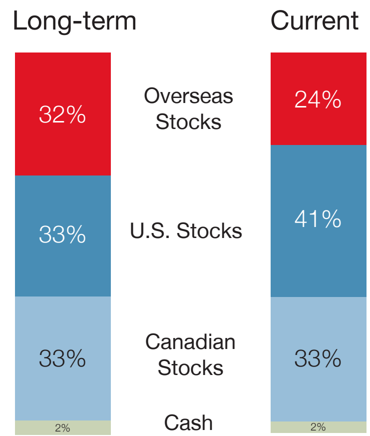
### Top Stock Holdings (% of Fund)

| | |
|---|---|
| Microsoft | 3.6% |
| Danaher | 2.2% |
| Visa | 2.1% |
| Thomson Reuters | 1.9% |
| S&P Global | 1.8% |
| CN Rail | 1.8% |
| Costco Wholesale | 1.7% |
| Lennar | 1.6% |
| Metro | 1.6% |
| Oshkosh | 1.5% |

### Sector Allocation (Stocks)

| | |
|---|---|
| Industrial Goods & Svc | 30.3% |
| Financial Services | 16.9% |
| Technology | 15.9% |
| Healthcare | 9.4% |
| Retailing | 7.7% |
| Consumer Cyclical | 7.4% |
| Consumer Products | 6.4% |
| Basic Materials | 3.9% |
| Oil & Gas | 2.1% |

### Asset Mix



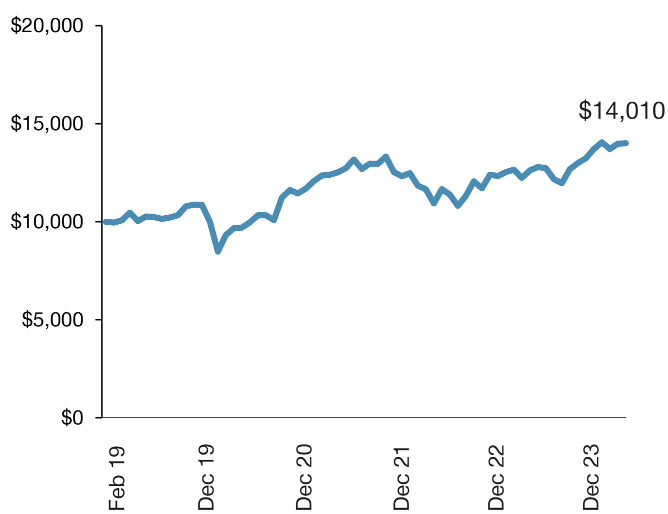

## Performance

### Compound Annualized Returns (as of June 30, 2024)

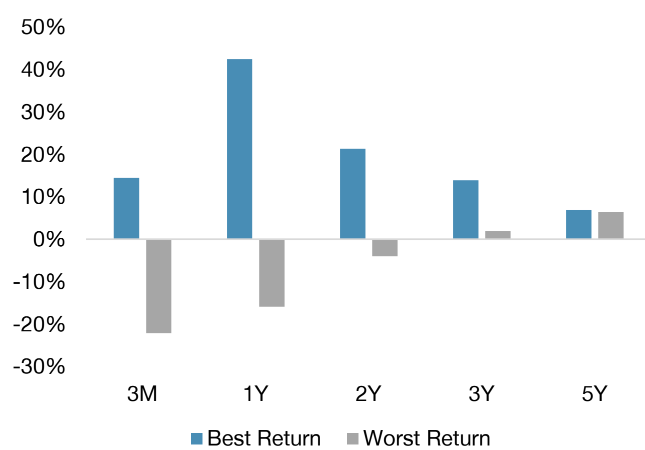
| | 3M | YTD | 1Y | 3Y | 5Y | 10Y | 15Y | Incep[1] |
|---|---|---|---|---|---|---|---|---|
| **Builders Fund (after-fee)** | **-0.3%** | **7.9%** | **11.0%** | **3.8%** | **6.4%** | **N/A** | **N/A** | **6.5%** |
| Global Stock Index ($Cdn) | 3.2% | 15.0% | 23.3% | 9.5% | 12.1% | N/A | N/A | 12.3% |
| Canadian Stock Index | -0.5% | 6.3% | 12.4% | 5.6% | 8.7% | N/A | N/A | 9.1% |

[1]Feb 15, 2019

### Growth of $10,000 Since Inception




### Best and Worst Annualized Returns



# Income Fund

## Market Context

- The Canadian bond market returned 1.0% in the quarter.
- Bond yields rose in April but pulled back in May and June, finishing the quarter close to where they started. The benchmark 10-year Government of Canada yield ended June at 3.5%, up marginally in the period.
- Canadian stocks declined 0.5%. Real estate, telecom, and bank stocks were weak while the basic materials and consumer staples sectors were areas of strength.

The fund was up 0.1% in the quarter. Since inception (Feb 2007), it has a cumulative return of 112%, which equates to an annualized return of 4.4%.

## Portfolio Specifics

- The bond component of the portfolio (76%) provided a positive return in the quarter and benefited from opportunistic positioning across the credit curve. Our provincial, corporate, and high yield bonds all contributed to performance, with the latter seeing the strongest gains year-to-date.
- The Bank of Canada lowered its key lending rate by 0.25% (to 4.75%), making it the first G7 country to cut rates this cycle. This led to less of an inversion in the yield curve (where short-term rates are higher than long-term rates). The fund benefited from the move as a result of its shorter duration and yield curve positioning, which favoured a transition toward normalization.
- Inflation has subsided in Canada, and the trend is encouraging, with many measures now below target (with the notable exception of housing costs). The central bank no longer needs to be as restrictive, but will take a measured approach to cutting interest rates further. The fund's bond holdings stand to benefit from any further declines in rates (when yields fall, prices rise).
- Corporate bonds held in well despite the continued flow of new issuance, as demand for credit remained strong given attractive yields and solid fundamentals. Our manager (Connor, Clark & Lunn) trimmed some bank and telecom bonds and added to power generators, as electricity usage is seeing strong structural demand.
- The equity portion of the fund (24%) detracted from performance. The real estate sector was a particular area of weakness. Our focus continues to be on companies with strong balance sheets, resilient earnings, and a history of dividend growth. We reduced our exposure to banks (Bank of Nova Scotia was sold), as a slowing economy suggests rising delinquencies. Conversely, we added to energy producers as more companies in the sector are using free cash flow to pay down debt, increase dividends, and buy back stock, which CC&L likes to see.
- The fund paid a distribution of $0.07/unit at the end of June.

**Notable Stock Transactions**

Buy

Veren*
Agnico Eagle Mines*
Capital Power*
Boyd Group Services*
National Bank*

*New holding

Trim/Sell

West Fraser Timber[1]
Magna International[1]
Bank of Nova Scotia[1]
Open Text[1]

[1]Position eliminated

## Positioning

- Our focus remains on high-quality companies. CC&L expects Canada to enter a mild recession, with the central bank taking a careful approach to further rate cuts.
- Stocks make up 24% of the fund and remain an important source of diversification.

| | |
|---|---|
| Fund size | $73,124,838 |
| Pre-fee Yield | 4.2% |
| Avg Term to Matur. | 9.7 yrs |
| Duration (Bonds) | 6.9 yrs |

# Income Fund

## Attributes

### Top Holdings (% of Fund)

| | |
|---|---|
| CC&L High Yield Bond Fd | 5.0% |
| Canada 2.75% (Dec/55) | 3.2% |
| Ontario 2.70% (Jun/29) | 2.7% |
| Canada 3.50% (Dec/45) | 2.6% |
| Royal Bank | 2.0% |
| Royal Bank 4.93% (Jul/24 ) | 1.9% |
| Ontario 3.65% (Jun/33) | 1.5% |
| B.C. 2.20% (Jun/30) | 1.5% |
| Canada 2.00% (Dec/51) | 1.4% |
| Quebec 1.50% (Sep/31) | 1.4% |

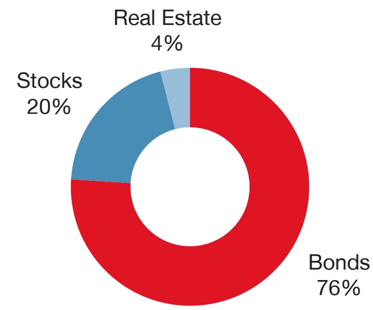
### Issuer Allocation (Bonds)

| | |
|---|---|
| Federal Government | 13% |
| Provincial Government | 47% |
| Corporate | 40% |

### Rating Summary (Bonds)

| | |
|---|---|
| AAA | 19% |
| AA | 39% |
| A | 16% |
| BBB | 23% |
| BB (or lower) | 3% |

### Asset Mix



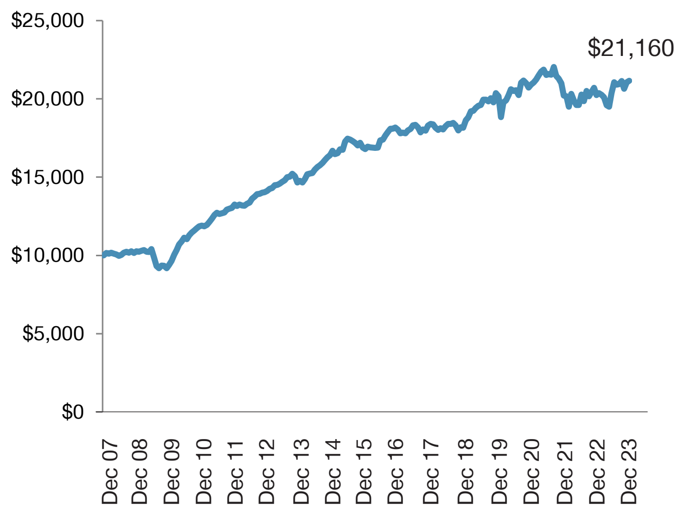

## Performance

### Compound Annualized Returns (as of June 30, 2024)

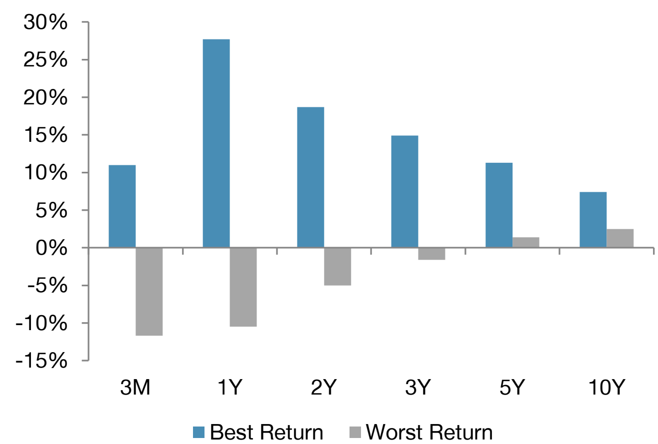
| | 3M | YTD | 1Y | 3Y | 5Y | 10Y | 15Y | Incep* |
|---|---|---|---|---|---|---|---|---|
| **Income Fund (after-fee)** | **0.1%** | **0.5%** | **3.9%** | **-0.5%** | **1.6%** | **2.7%** | **4.9%** | **4.4%** |
| Canadian Bond Index | 1.0% | -0.4% | 3.6% | -1.8% | -0.2% | 1.8% | 2.9% | 3.3% |
| Canadian Stock Index | -0.5% | 6.3% | 12.4% | 5.6% | 8.7% | 6.2% | 7.5% | 5.5% |

*Feb 13, 2007

### Growth of $10,000 Since Inception




### Best and Worst Annualized Returns



# Equity Fund

## Market Context

- The Canadian stock market (Morningstar Canada Index) declined 0.5% in the second quarter. Banks, healthcare, and telecom stocks were areas of weakness, while the energy and materials sectors were strong.
- Global stocks, as measured by the Morningstar Developed Markets Index, gained 3.2% in Canadian dollars.

The fund was up 1.1% in the quarter. Since inception (Feb 2007), it has a cumulative return of 218%, which equates to an annualized return of 6.9%.

## Portfolio Specifics

- The portfolio consists of 26 stocks, of which 14 are headquartered in Canada, 10 in the U.S., and 2 overseas.
- The fund had a positive quarter, rising 1.1%, and is up 9.0% this year. Top performers in Q2 included low-cost consumer retailers Dollarama (+21%), Costco Wholesale (+16%), and TJX Companies (+9%). All three have benefited from shoppers becoming more price conscious.
- While technology stocks continue to be a key driver of returns in the U.S. market (AI-related businesses in particular), the portfolio benefited from broader contributions by stocks across sectors. For example, Thomson Reuters (information conglomerate), S&P Global (financial information and analytics) and Constellation Software (diversified software) were solid contributors in the period, in addition to the consumer names above.
- TD Bank had a difficult quarter, falling 7%. It announced it was being investigated by the U.S. Department of Justice for its involvement in a drug money laundering case. Our manager, Fiera Capital, has spent considerable time analyzing the situation. While the bank's compliance failures are frustrating, Fiera has seen positive signs from TD in dealing with the challenges. It also finds the current price attractive for what continues to be one of Canada's leading banks.
- CN Rail also detracted from performance (-9%). The rail company's auto container volumes were a little softer and talk of a strike is hanging over the stock. The business continues to have attractive fundamentals and a solid long-term outlook, as rail transportation has high barriers to entry and remains an effective and environmentally friendly way of moving goods. Our holdings in CN Rail and Canadian Pacific Kansas City comprise 8% of the fund.
- There were no stock transactions in the quarter.

**Notable Transactions**

Buy

None

Trim/Sell

None

## Positioning

- The fund is comprised of a concentrated group of best-in-class businesses operating in a range of industries with solid long-term demand profiles. Focus is on market leaders that generate steady profits and have proven leaders at the helm.

| | |
|---|---|
| Fund size | $100,544,342 |
| No. of stocks | 26 |

# Equity Fund

## Attributes

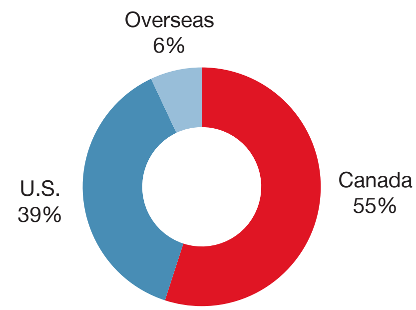
### Top Stock Holdings

| | |
|---|---|
| Visa | 6.1% |
| Thomson Reuters | 5.5% |
| Microsoft | 5.1% |
| S&P Global | 5.1% |
| CN Rail | 5.1% |
| Costco Wholesale | 4.8% |
| Metro | 4.5% |
| Dollarama | 4.2% |
| Danaher | 4.1% |
| TMX Group | 4.0% |

### Sector Allocation (Stocks)

| | |
|---|---|
| Industrial Goods & Svc | 26.9% |
| Financial Services | 24.9% |
| Retailing | 20.2% |
| Technology | 16.2% |
| Consumer Products | 5.2% |
| Healthcare | 4.2% |
| Consumer Cyclical | 2.4% |

### Geographic Profile (Stocks)



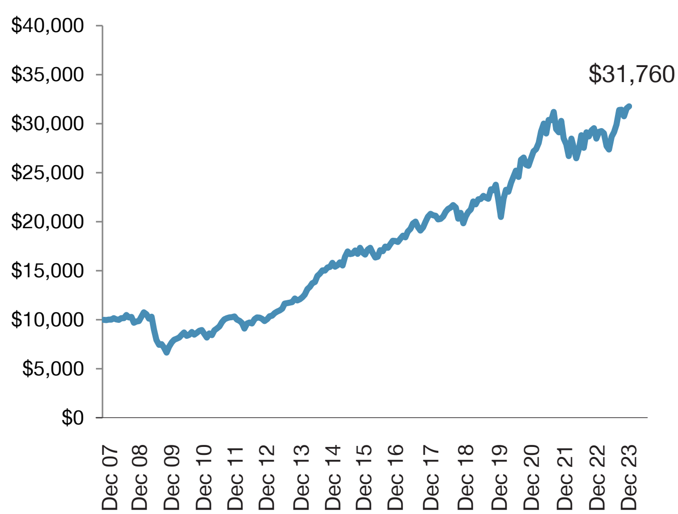

## Performance

### Compound Annualized Returns (as of June 30, 2024)

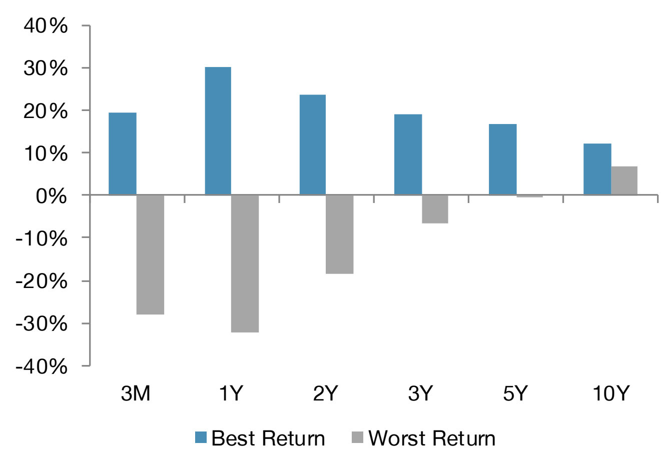
| | 3M | YTD | 1Y | 3Y | 5Y | 10Y | 15Y | Incep[1] |
|---|---|---|---|---|---|---|---|---|
| **Equity Fund (after-fee)** | **1.1%** | **9.0%** | **8.9%** | **4.2%** | **7.3%** | **7.5%** | **9.6%** | **6.9%** |
| Canadian Stock Index | -0.5% | 6.3% | 12.4% | 5.6% | 8.7% | 6.2% | 7.5% | 5.5% |
| Global Stock Index ($Cdn) | 3.2% | 15.0% | 23.3% | 9.5% | 12.1% | 11.6% | 12.2% | 8.0% |

[1]Feb 13, 2007

### Growth of $10,000 Since Inception




### Best and Worst Annualized Returns



# Global Equity Fund

## Market Context

- Global stocks, as measured by the Morningstar Developed Markets Index, were up 3.2% in Canadian dollar terms in the second quarter.
- Technology stocks drove performance in the quarter, namely a handful of U.S. mega-caps. In fact, almost 60% of the S&P 500's 15% gain this year was driven by 5 stocks.

The fund was down 0.1% in the quarter. Since inception (Feb 2007), it has a cumulative return of 72%, which equates to an annualized return of 3.2%.

## Portfolio Specifics

- The fund owns 47 stocks, of which 21 are domiciled in the U.S., 12 in Europe, 7 in Japan, 3 in Asia-Pacific, 2 in the U.K., and 2 in Canada. Companies range in size from mega-cap Microsoft to small-cap FirstCash Holdings.
- The portfolio was flat in the quarter (-0.1%) but has fared well in 2024, rising 8.3%. That said, it has lagged the broader market. Our manager, Aristotle Capital, is increasingly focused on maintaining a prudent level of diversification across countries and industries in a global market that is becoming overly-influenced by large U.S. tech companies. Specifically, we have greater exposure to European and Japanese industrial and consumer companies, and more measured exposure to AI-related stocks, many of which are richly valued. While this has held back performance, we believe our positioning provides greater balance and downside protection.
- In the quarter, Qualcomm and Amgen were both rewarded on positive news and were two of our stronger performers. Qualcomm, which makes microchips for smartphones and wireless devices, announced that its *Snapdragon* chip will be used by Microsoft in its *Surface* tablets and laptops. The deal represents an important win for Qualcomm as AI applications start to move onto wireless devices. Biotech pioneer Amgen also saw a nice boost after reporting stronger than expected earnings and encouraging results from a weight loss drug in clinical trials.
- Two other holdings making headlines were Rentokil and Nemetschek. Rentokil, the world's leading pest control company, gained 15% after it surfaced that activist investor Nelson Peltz has taken a significant stake in the company. Aristotle welcomes any discussion around constructive change. Nemetschek, which makes software for architects and engineers, announced its largest ever acquisition, purchasing *GoCanvas*, a leading provider of software for enhancing productivity and safety in construction.
- Two stocks were sold: KDDI and Veralto. Japanese telecom KDDI made a questionable capital allocation decision in Aristotle's view by acquiring convenience store operator Lawson, and we moved on from the stock. Veralto, a small position that was a spinoff from Danaher, was sold after rising 30% following the divestiture.

**Notable Transactions**

Buy

DBS Group Holdings

Trim/Sell

KDDI[1]
Veralto[1]

[1]Position eliminated

## Positioning

- Investments are spread across industries, both fast-growing and steady-eddy, in companies that have a strong market position. Aristotle looks for quality businesses with competitive advantages, pricing power, and proven executives.

| | |
|---|---|
| Fund size | $54,638,348 |
| No. of stocks | 47 |

# Global Equity Fund

## Attributes

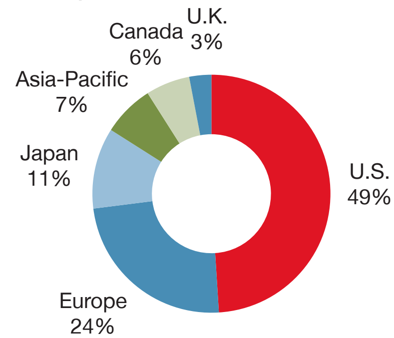
### Top Stock Holdings

| | |
|---|---|
| Microsoft | 5.2% |
| Lennar | 4.6% |
| Cameco | 3.5% |
| Martin Marietta | 3.4% |
| MunichRe | 3.2% |
| Microchip Technology | 3.0% |
| Qualcomm | 2.8% |
| TotalEnergies | 2.8% |
| Adobe | 2.8% |
| Amgen | 2.7% |

### Sector Allocation (Stocks)

| | |
|---|---|
| Industrial Goods & Svc | 24.9% |
| Technology | 21.7% |
| Financial Services | 14.2% |
| Healthcare | 13.9% |
| Consumer Cyclical | 12.3% |
| Consumer Products | 5.1% |
| Basic Materials | 3.6% |
| Oil & Gas | 2.9% |
| Retailing | 1.4% |

### Geographic Profile (Stocks)



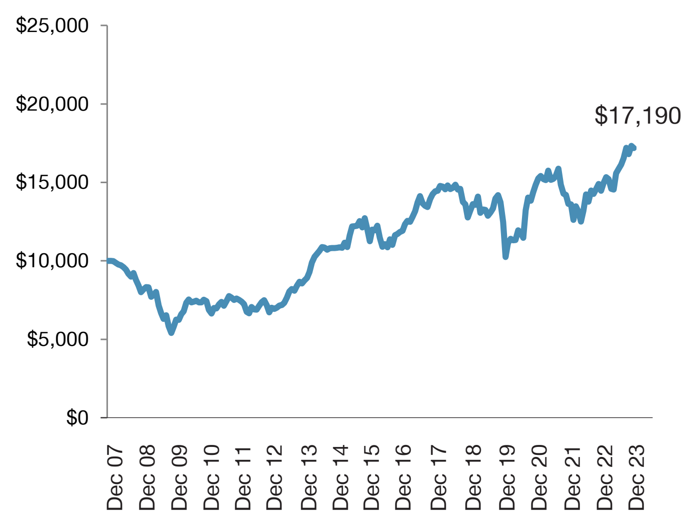

## Performance

### Compound Annualized Returns (as of June 30, 2024)

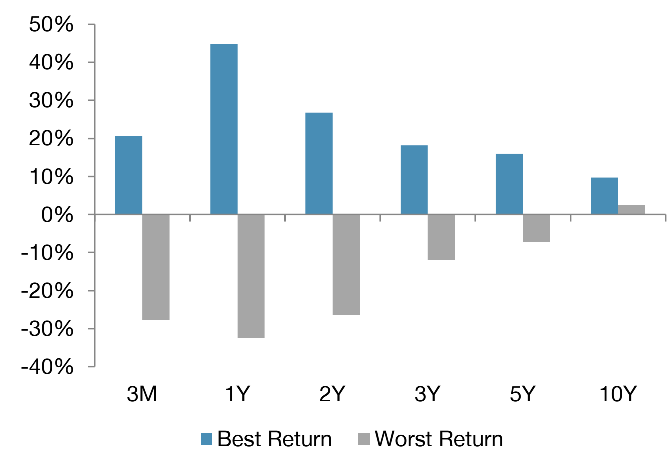
| | 3M | YTD | 1Y | 3Y | 5Y | 10Y | 15Y | Incep[1] |
|---|---|---|---|---|---|---|---|---|
| **Global Equity Fund (after-fee)** | **-0.1%** | **8.3%** | **15.0%** | **4.2%** | **5.3%** | **4.7%** | **6.6%** | **3.2%** |
| Global Stock Index ($Cdn) | 3.2% | 15.0% | 23.3% | 9.5% | 12.1% | 11.6% | 12.2% | 8.0% |

[1]Feb 13, 2007

### Growth of $10,000 Since Inception




### Best and Worst Annualized Returns



# Small-Cap Equity Fund

## Market Context

- The Canadian small-cap market (Morningstar Canada Small Cap Index) rose 3.4% in the quarter. U.S. small-caps were down 2.7% in Canadian dollar terms.
- Energy and basic materials were the best performing sectors. Consumer, industrial, and healthcare stocks, on the other hand, were laggards.

The fund was down 0.5% in the quarter. Since inception (Feb 2007), it has a cumulative return of 223%, which equates to an annualized return of 7.0%.

## Portfolio Specifics

- The fund consists of 21 companies, ranging from very small (Diversified Royalty) to medium-sized businesses (Generac Holdings). While the majority of holdings are Canadian, there are five U.S. companies which make up 20% of the portfolio's stocks.
- The portfolio turned in a small negative return in the quarter (-0.5%) and is up 8.4% year-to-date. Interfor (timber), Enghouse Systems (software) and Henry Schein (dental equipment) had challenging quarters, but strong performance from resource holdings Capstone Copper (copper miner), Torex Gold Resources (gold miner), and MEG Energy (oil & gas producer) provided an offset. All three of these holdings have been stellar performers this year, with Capstone and Torex both up more than 45%.
- Three new stocks were purchased. Andlauer Healthcare Group is a Canadian company providing specialized transportation and logistics support for healthcare companies. Many medications (including GLP-1 drugs) need to be transported at a specific temperature and Andlauer is a leader in this process. ATS Corporation designs and manufactures factory automation systems. And U.S.-based Greenbrier Companies is a leader in manufacturing rail cars.
- Park Lawn and Vail Resorts were sold. Park Lawn announced that it was going to become a private company at a 60% premium to where it was trading. Vail, which we purchased late last year, was a frustrating experience. Our manager, Galibier Capital, concluded that increased weather variability and the ski resort operator's lack of focus on customer service would not bode well for long-term investors.
- Galibier announced in the quarter that it has agreed to be acquired by Guardian Capital, a larger Canadian investment firm that manages private client and institutional assets. The transaction will not impact Galibier's investment philosophy and its team will remain intact. Moreover, the terms of the transaction mean the most senior principals are incentivized to remain with the firm for at least five years. Galibier will get the benefit of a larger team and more resources to help with operational support and growth. Overall, we view the transaction positively.

**Notable Transactions**

<u>Buy</u>

Andlauer Healthcare Group*
ATS Corporation*
Greenbrier Companies*
Interfor
Boyd Group Services
*New holding

<u>Trim/Sell</u>

Park Lawn[1]
Vail Resorts[1]
Generac Holdings
Cargojet
Torex Gold Resources
[1]Position eliminated

## Positioning

- The portfolio has a unique composition, with key areas of investment being capital goods, industrial services, food & beverage, and consumer discretionary companies. This is in contrast to the small-cap market's heavy focus on resource companies.

| | |
|---|---|
| Fund size | $46,865,826 |
| No. of stocks | 21 |

# Small-Cap Equity Fund

## Attributes

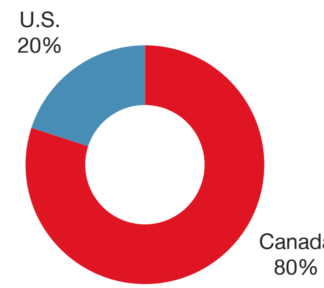
### Top Stock Holdings

| | |
|---|---|
| MEG Energy | 8.1% |
| Capstone Copper | 6.0% |
| Premium Brands Holdings | 6.0% |
| Torex Gold Resources | 6.0% |
| Finning International | 6.0% |
| Boyd Group Services | 5.6% |
| Greenbrier Companies | 4.9% |
| Savaria | 4.9% |
| Oshkosh Corp. | 4.8% |
| Cargojet | 4.7% |

### Sector Allocation (Stocks)

| | |
|---|---|
| Industrial Goods & Svc | 47.0% |
| Basic Materials | 17.2% |
| Consumer Cyclical | 8.4% |
| Oil & Gas | 8.4% |
| Healthcare | 8.3% |
| Consumer Products | 6.2% |
| Technology | 4.5% |

### Geographic Profile (Stocks)



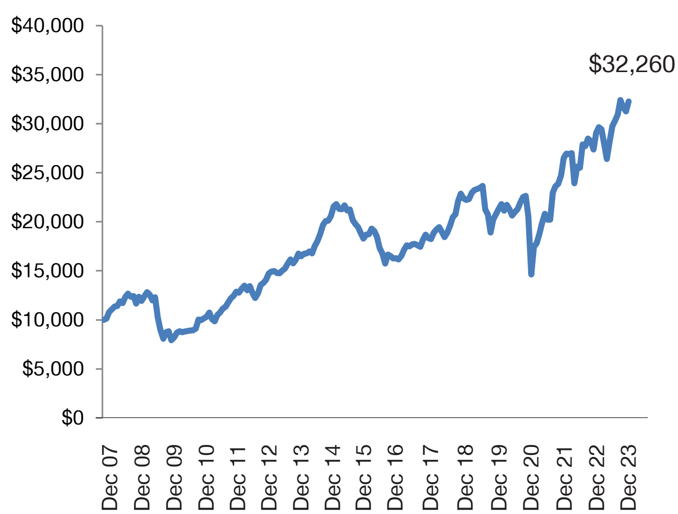

## Performance

### Compound Annualized Returns (as of June 30, 2024)

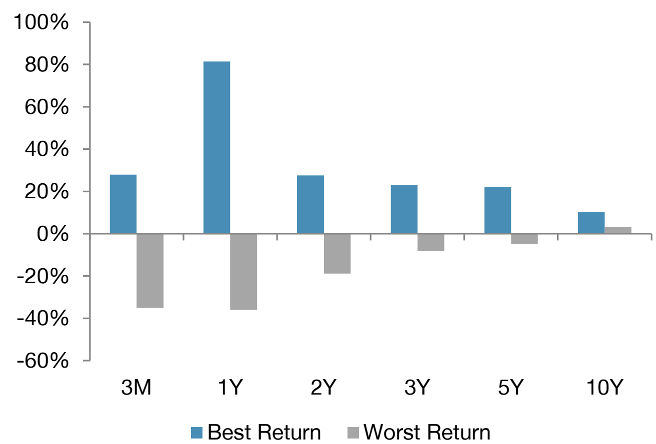
| | 3M | YTD | 1Y | 3Y | 5Y | 10Y | 15Y | Incep[1] |
|---|---|---|---|---|---|---|---|---|
| **Small-Cap Equity Fund (after-fee)*** | **-0.5%** | **8.4%** | **10.9%** | **6.1%** | **8.2%** | **4.1%** | **9.1%** | **7.0%** |
| Canadian Small-Cap Stock Index | 3.4% | 11.0% | 15.1% | 3.4% | 7.2% | 1.9% | 5.3% | 1.3% |
| U.S. Small-Cap Stock Index ($Cdn) | -2.7% | 5.5% | 14.2% | 3.0% | 8.2% | 9.4% | 12.7% | 8.0% |

[1]Feb 13, 2007

### Growth of $10,000 Since Inception




### Best and Worst Annualized Returns



# Global Small-Cap Equity Fund

## Market Context

- The global small-cap market (Morningstar Developed Markets Small Cap Index) declined 2.0% in Canadian dollar terms in the second quarter.
- Most sectors of the market fell, with consumer discretionary stocks seeing the greatest decline. Resource stocks, notably gold and copper, were an area of strength.

## Portfolio Specifics

- The portfolio is currently invested in 52 companies. 22 are based in the U.S., 13 in Europe, 5 in Japan, 5 in the U.K., 3 in South America, 3 in Australia, and 1 in Canada.
- The fund had a negative quarter (-4.4%) and is up 3.5% year-to-date. Some of our stronger performers from earlier in the year pulled back in the spring (Regal Rexnord, JFrog, ESAB) and a few holdings disappointed by announcing weaker earnings or guidance (Workiva, Integral Ad Science, Internet Initiative Japan).
- Our top performers included Onto Innovation, Topdanmark, and Clean Harbors. Onto Innovation, which makes defect inspection software for semiconductor manufacturers, profited from continued interest and high demand in the microchip sector. Danish insurer Topdanmark agreed to an acquisition by its largest shareholder, and environmental services leader Clean Harbors is benefiting from increased government regulation of hazardous waste.
- Our manager, TimesSquare Capital, is starting to see pockets of weakness in some sectors, and wasn't happy with the decisions of certain management teams, which prompted a few transactions. Communication services firms Internet Initiative Japan and Integral Ad Science were sold based on weaker outlooks, while toy maker Spin Master and carbon fiber specialist Hexcel were removed following poor boardroom decisions in TimesSquare's view (Spin Master overpaid for a recent transaction, while Hexcel brought in a new CEO with a mixed record). Two stocks that have seen good runs were trimmed, EMCOR (construction services) and Rakuten Bank (Japan's largest online bank).
- Six companies were purchased in six different countries. Brazil-based Embraer makes regional planes and business jets and is capitalizing on Boeing's missteps. Loar Holdings is an American supplier of crucial aftermarket aviation parts (e.g. brakes and de-icing systems). Ventia Services Group takes care of key infrastructure (roads, railways and energy facilities) in Australia and New Zealand. Tecan Group is a Swiss leader in biotech lab instruments. And in the financial services sector, Ringkjøbing Landbobank is a popular Danish bank, and St. James's Place is a U.K. money manager that we previously owned and is trading at a compelling valuation again.

## Positioning

- The fund invests in businesses with a clear competitive edge that offer products and services the world needs. A record of consistent sales and profit growth is important, as is a management team that has experience and integrity.

The fund was down 4.4% in the quarter. Since inception (Feb 2019), it has a cumulative return of 31%, which equates to an annualized return of 5.1%.

**Notable Transactions**

Buy

Embraer SA*
Loar Holdings*
Ventia Services Group*
Tecan Group*
Ringkjobing Landbobank*
St. James's Place*

*New holding

Trim/Sell

Integral Ad Science[1]
Internet Initiative Japan[1]
Hexcel[1]
Spin Master[1]
EMCOR
Rakuten Bank

[1]Position eliminated

| | |
|---|---|
| Fund size | $11,864,518 |
| No. of stocks | 52 |

# Global Small-Cap Equity Fund

## Attributes

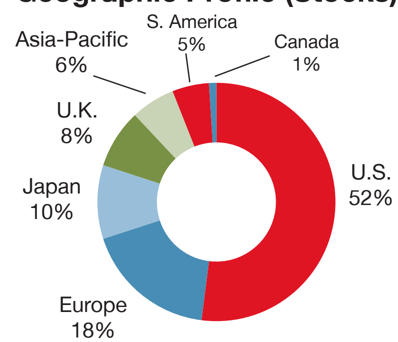
### Top Stock Holdings

| | |
|---|---|
| Clean Harbors | 4.6% |
| Chemed | 3.3% |
| Steadfast Group | 3.2% |
| Regal Rexnord | 3.2% |
| Performance Food Group | 3.0% |
| Casella Waste Systems | 2.9% |
| Rakuten Bank | 2.9% |
| ESAB | 2.6% |
| KDX Realty Investment | 2.7% |
| JFrog | 2.6% |

### Sector Allocation (Stocks)

| | |
|---|---|
| Industrial Goods & Svc | 35.6% |
| Financial Services | 17.9% |
| Technology | 14.3% |
| Healthcare | 11.8% |
| Consumer Cyclical | 8.9% |
| Consumer Products | 8.8% |
| Real Estate | 2.7% |

### Geographic Profile (Stocks)



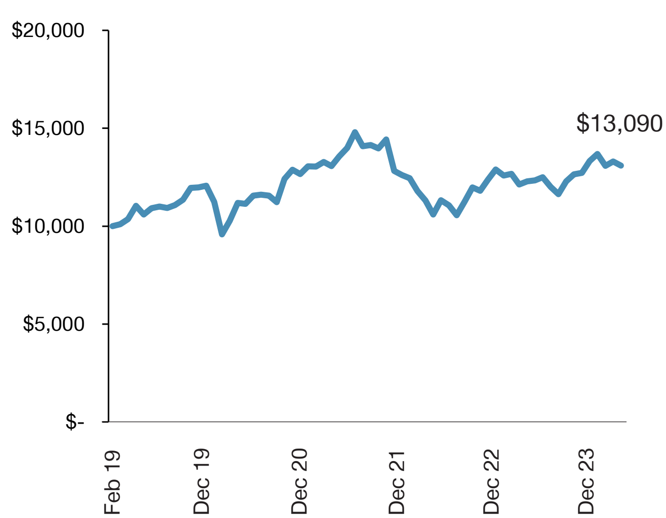

## Performance

### Compound Annualized Returns (as of June 30, 2024)

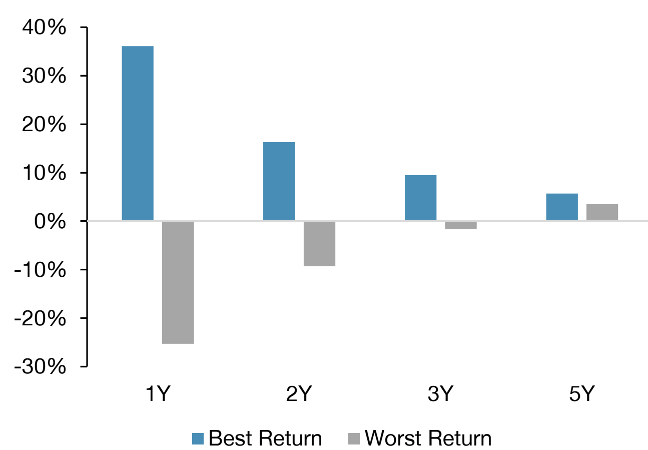
| | 3M | YTD | 1Y | 3Y | 5Y | 10Y | 15Y | Incep[1] |
|---|---|---|---|---|---|---|---|---|
| **Global Small-Cap Equity Fund (after-fee)** | **-4.4%** | **3.5%** | **6.5%** | **-1.2%** | **3.7%** | **N/A** | **N/A** | **5.1%** |
| Global Small Cap Stock Index ($Cdn) | -2.0% | 5.1% | 13.2% | 2.2% | 7.2% | N/A | N/A | 6.8% |

[1]Feb 15, 2019

### Growth of $10,000 Since Inception




### Best and Worst Annualized Returns



# Savings Fund

## Market Context

- The Bank of Canada cut its key short-term lending rate in the quarter by 0.25% (to 4.75%). It was the first G7 central bank to lower rates this cycle, although the European Central Bank followed shortly after. The U.S. Federal Reserve kept its policy rate unchanged, yet many economists expect a cut by the end of the year.
- Inflation has eased domestically and is close to the Bank of Canada's target. Bank governor Tiff Macklem stated in his latest release that "monetary policy no longer needs to be as restrictive" and noted that further cuts can be expected — following a gradual, data-dependent approach — as long as inflation continues to ease.
- As short-term interest rates have come down in Canada, investors should expect a lower return on money market investments. That said, yields are still attractive.

The fund was up 1.2% in the quarter. Since inception (Feb 2007), it has a cumulative return of 29%, which equates to an annualized return of 1.5%.

## Positioning

- T-Bills comprise 58% of the portfolio, while corporate paper makes up 42%.
- We increased our weighting in T-Bills and decreased our holdings in corporate paper.
- The pre-fee yield of the portfolio at the end of June was 4.7%.

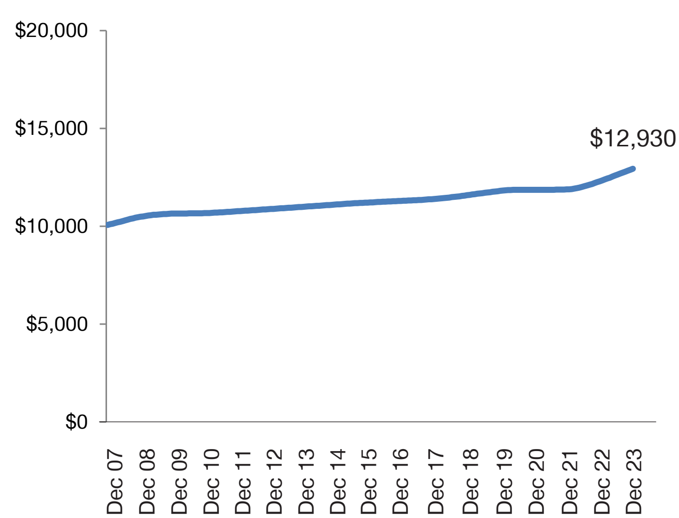
## Performance

### Compound Annualized Returns (as of June 30, 2024)

| | 3M | YTD | 1Y | 3Y | 5Y | 10Y | 15Y | Incep* |
|---|---|---|---|---|---|---|---|---|
| **Savings Fund (after-fee)** | **1.2%** | **2.3%** | **4.8%** | **2.9%** | **2.1%** | **1.6%** | **1.3%** | **1.5%** |
| Canadian Cash Index | 1.2% | 2.5% | 5.1% | 3.0% | 2.1% | 1.5% | 1.2% | 1.5% |

*Feb 13, 2007

### Growth of $10,000 Since Inception




### Best and Worst Annualized Returns

## Is the market headed back to 2021?

### Special to the Globe and Mail, by Tom Bradley, June 15, 2024

Many investors are scratching their heads and wondering about the continued rise of stock prices, a run that started in the fall of 2022. Is it real or are things getting carried away?

During a cross-Canada tour last month, we addressed this question. Our chief investment officer, Salman Ahmed, told clients that things are normal, more normal than they've been in many years. He provided a checklist.

The economy is expected to keep growing, as are corporate profits. Check. Stock valuations have risen in recent months but are still within their historical range. Check. Fixed-income securities offer yields that are in excess of inflation. Check. People are worried about politics and the next recession. Check. And three-, five- and 10-year returns for balanced portfolios are in line with long-term expectations. Check.

The one thing that is starting to be not-so-normal is the level of speculation in the market, or put another way, the enthusiasm for higher-risk investments.

Before I get there, some background.

In our client presentations, I referred to 2021 as being the most speculative time in my 40-year investment career. In the back half of that year, the steady postpandemic recovery turned into a frat party.

It was remarkable. We had the meme stock craziness. Options trading was through the roof. There seemed to be a new crypto coin (I can't bring myself to say "currency") every day. Anything related to electric vehicles was worth billions. Investors were excited about anything with a technology element to it, including companies in competitive, profit-challenged industries. And there was a buzz about NFTs (despite them being a mystery to most people, including me).

The party was fuelled by a wave of exciting new technologies and extremely cheap money. Interest rates were near zero in North America and negative in some parts of the world. It was a great time to borrow and risk-taking was encouraged. I'll never forget meeting with a well-to-do retired client who desperately wanted to use his line of credit so he could join in the fun.

Fortunately, or unfortunately, depending on your perspective, rising interest rates wrecked the party and caused a nasty hangover in 2022. I like to think of it as a much-needed period of normalization.

Which brings me to today. With interest rates holding at much higher levels and the go-go investments mentioned above having crashed, I would have bet my mortgage that another speculative rush was years away, but I would have been wrong.

Meme stocks are back with a vengeance. Based on a few Reddit posts, two unremarkable companies, GameStop and AMC Entertainment Holdings have seen their stock prices gyrating like it was 2021 again.

Stock and option trading are up significantly, with penny stocks making up an increased percentage of the volume. Bitcoin is on a roll and valuations on AI-related companies, many of which don't yet have a revenue model, assume they're all going to be successful.

Some of these strategies have investment merit but, as in 2021, what's noteworthy is how many high-risk, high-volatility, high-valuation things are raging at the same time.

To be clear, this isn't nearly as wild a party as 2021, at least not yet. There are some elements missing. The market for initial public offerings is still dead, despite a long list of companies that private equity firms want to list.

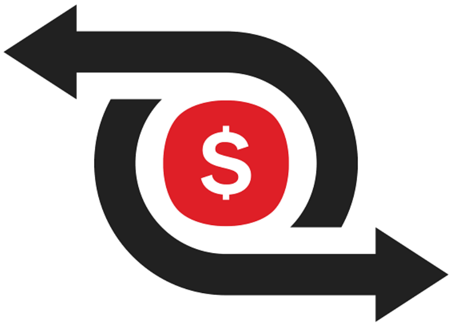
Measures of sentiment – how bullish or bearish investors are overall – are in neutral territory. Indeed, I'm finding that many investors don't seem to appreciate how good a year their portfolios are having.

So, is excessive speculative behaviour something to be concerned about? The answer is yes. It rarely produces lasting returns and often leads to disappointment. It can also reflect more broadly a complacency in the market toward risk and unrealistic expectations.

If you're part of the party, make sure the risk you're taking is appropriate in the context of your overall portfolio. It's one thing to play with some fun money, but quite another to bet your retirement savings.

For me, elevated risk-taking is on the radar screen again although, as my partner says, the investment landscape is normal for most of the important factors we care about. Business fundamentals are going in the right direction and valuations are reasonable outside of a few areas of extreme enthusiasm.

Steadyhand



## Our Transfer Fee Reimbursement Program returns this summer!

Move an account to us from another financial institution between July 1 and September 30 and say goodbye to those dreaded transfer fees — we've got them covered, up to $150! Learn more.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The performance data provided for the Steadyhand Savings Fund assumes reinvestment of distributions only and does not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. The indicated rates of return for the funds other than the Savings Fund are the historical annual compounded total returns including changes in unit value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. Mutual fund securities are not covered by the Canada Deposit Insurance Corporation or by any other government deposit insurer. There can be no assurances that the funds will be able to maintain their net asset value per security at a constant amount or that the full amount of your investment in the funds will be returned to you. Past performance may not be repeated.

Indexes referenced are as follows:

Canadian Cash: Morningstar Canadian Dollar Overnight Cash Index
Canadian Bonds: Morningstar Canada Core Bond Index
Canadian Stocks: Morningstar Canada Index
Canadian Small-Cap Stocks: Morningstar Canada Small Cap Index
U.S. Small-Cap Stocks: Morningstar U.S. Small Cap Index ($Cdn)
Global Stocks: Morningstar Developed Markets Index ($Cdn)
Global Small-Cap Stocks: Morningstar Developed Markets Small Cap Index ($Cdn)



Steadyhand Investment Management Ltd. is the manager of the Steadyhand funds. Steadyhand Investment Funds Inc. (SIFI) is the principal distributor of the funds.

Published on July 8, 2024, by Steadyhand Investment Funds Inc.

**steadyhand.com**

1.888.888.3147
1747 West 3rd Avenue
Vancouver, BC  V6J 1K7