

# Steadyhand

**Q3**  
**2024**

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“Investing is a marathon, not a sprint. It’s a hackneyed phrase but couldn’t be more true. What’s the good of racing past other runners at mile 10 only to hit the wall at mile 23 and stagger in.”

— Tom Bradley, The Globe and Mail



## Bradley's Brief



In a recent Globe and Mail column titled *'The Loneliness of the Long-term Investor'* (see p. 19), I outlined the importance of having a strategy and routine that can be sustained for a long period of time. I suggested that it can be a lonely endeavour. The media implores you to make changes, friends boast of big stock wins, and unpredictable markets make it hard to sleep some nights.

Well, I want to clarify something. My loneliness piece was written for readers of the Saturday Globe, most of which aren't Steadyhand clients. For you, it doesn't have to be so lonely. Steadyhand is designed to make it much easier to execute on the four recommendations in the article that will build up your endurance and help with the loneliness. Let me explain.

*Have realistic expectations.* When times are good, we're preparing clients for when they won't be so good. We want you to be ready for the toughest time in the market cycle, when stock prices are down, and emotions are up.

Our favourite tool on the website is the [Volatility Meter](#), which shows that every four or five years an all-equity portfolio will be down. For a balanced portfolio like the Founders Fund, it's every 7-10 years (Founders has had two negative years since its inception in 2012).

If anything, we're too much of a downer in our communications (me at least), which is lousy marketing to be sure, but it has kept our clients grounded and is a big reason why more top up their contributions than bail out when markets are scary.

*Have a clear goal for each bucket of money.* This is something our Investor Specialists do well. They know there are no right answers without understanding the purpose. Money invested to provide a retirement income decades from now is

vastly different than money being set aside for a down payment.

*Pursue a strategy you can sustain no matter what's going on in your life.* We only ask that you invest some time when getting started (we have lots of questions) and stay in touch with what's going on. To help, our communications are easy to understand and have a regular rhythm; our approachable, knowledgeable professionals are available to answer questions and provide advice; and our core funds (Founders and Builders) make adjustments for you as needed.

Speaking of adjustments, we've done some rebalancing in the Founders Fund this year in light of the hot markets. We've trimmed stocks to stay close to our long-term target and edged up the bond weighting to reflect an improved fixed income outlook. We dig further into what we've been doing on pages 4-18.

*And finally, make sure your support system is in sync with your approach.* You want a steady hand when things are going poorly (see company name), not an easy off-ramp that throws you to the investment industry wolves. Industry studies show that investors don't do nearly as well as the funds they invest in because they chase past performance, trade too much, and buy high/sell low. Our clients' returns, on the other hand, closely track our fund returns. Our clients keep their goals in mind, stick to their plan, and have a shoulder to lean on along the way.



## Key Takeaways

### Stocks

- Stocks had a strong quarter, despite two brief selloffs. Investors cheered lower interest rates and shifted their attention from technology stocks to interest-sensitive equities, such as real estate, financials, and utilities. Gold was also a top performer, while the energy sector suffered from a sharp drop in the price of oil. Asian markets were leaders, notably Hong Kong and China, which both gained more than 20%.
- The Canadian market was a standout, rising 10%. Banks, real estate and utilities turned in excellent returns. Oil & gas stocks, on the other hand, lagged.
- The Canadian dollar was little changed against the U.S. dollar and Euro. It fell 10% against the Yen, though, which boosted the returns of Japanese stocks in \$Cdn terms.

### Bonds

- The Canadian bond market rose 4.6%.
- The Bank of Canada cut its policy rate twice, by 0.25% each time, in response to easing inflation and employment data. The key lending rate now sits at 4.25%.
- Bond yields fell meaningfully, with shorter-term maturities seeing the biggest declines, as investors began anticipating more assertive interest rate cuts by the central banks. The benchmark 10-year Government of Canada yield fell from 3.5% to 2.9%.

### Our Funds

- Our fund returns were all positive in the quarter. Our balanced clients' portfolios were up around 6%. 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 TOKYO CENTURY CORP. (Japan), AZBIL (Japan), and INTEGRAL CORP. (Japan); and the sale of TOPDANMARK (Denmark) and HUHTAMAKI (Finland).

## 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 4.0% (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.

### Market Returns

	3M	1Y
Canada	10.1%	26.3%
World	5.2%	31.6%

	3M	1Y
Bonds	4.6%	12.7%

### Fund Returns

	3M	1Y
Savings	1.1%	4.7%
Income	6.0%	14.5%
Founders	5.7%	17.8%
Builders	6.0%	21.9%
Equity	7.0%	22.7%
Global	4.8%	23.5%
Small-Cap	5.3%	21.6%
Global Small-Cap	7.1%	16.7%



## 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 5.7% in the quarter. Since inception (Feb 2012), it has a cumulative return of 115%, which equates to an annualized return of 6.2%.

### Portfolio Specifics

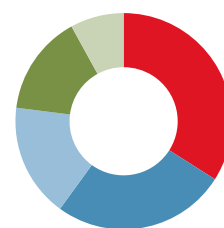
- The fund was up 5.7% in the quarter and has gained 10.3% so far this year, fueled by rising stock markets and declining interest rates. All the underlying funds were meaningful contributors in the quarter.
- Founders' asset mix remains unchanged from last quarter and is close to its long-term target. Stocks are slightly below the 60% level and the bond weighting, which has edged higher, is now close to a full allocation at 33%. The fund would have done even better over the last year if we'd let markets take the equity weighting higher, but we've been regularly rebalancing to stay aligned with its stated goal of 'capital growth and income'. Founders is designed to be an all-weather fund.
- Despite yields falling this quarter, we are still positive on our 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 have a meaningful position in the Savings Fund for similar reasons – income and downside protection. It's a money market fund and doesn't have the same return potential as our income and equity funds, but it enhances Founders' diversification.
- 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 economic and market fundamentals. It's important to keep in mind, however, that while the mix of funds in Founders is important, it's the performance of the underlying funds that drives returns. Through these six funds, 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 TOKYO CENTURY CORP. (Japan), AZBIL (Japan), and INTEGRAL CORP. (Japan); and the sale of TOPDANMARK (Denmark), and HUHTAMAKI (Finland).

#### Fund Mix

Income	44%
Global	20%
Equity	20%
Small-Cap	5%
Global Small-Cap	5%
Savings	6%



#### Asset Mix



Foreign Stocks	32%
Canadian Stocks	27%
Gov't Bonds	19%
Corporate Bonds	14%
Cash & Short-term	8%

### Positioning

- We're prepared for a range of market outcomes. Our approach is not to predict what will happen next, but to be in position to take advantage of whatever comes our way.
- For more details on the underlying funds, please review pages 8-18.

Fund size \$703,395,860



## Founders Fund

### Attributes

#### Top Stock Holdings (% of Fund)

Microsoft	1.8%
Thomson Reuters	1.3%
Constellation Software	1.3%
Danaher	1.2%
Visa	1.2%
CN Rail	1.1%
S&P Global	1.1%
Lennar	1.0%
TMX Group	1.0%
Intact Financial	1.0%

#### Sector Allocation (Stocks)

Industrial Goods & Svc	25.5%
Financial Services	20.8%
Technology	14.2%
Retailing	7.7%
Healthcare	7.6%
Consumer Cyclical	7.3%
Consumer Products	4.9%
Real Estate	3.9%
Basic Materials	3.2%
Oil & Gas	2.4%
Utilities & Pipelines	2.0%
Comm. & Media	0.5%

#### Asset Mix

Long-term		Current
17%	Overseas Stocks	12%
17%	U.S. Stocks	20%
26%	Canadian Stocks	27%
35%	Bonds	33%
5%	Cash	8%

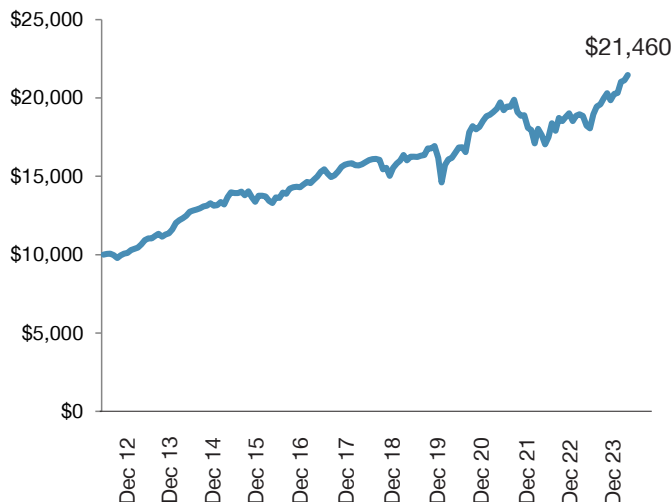
### Performance

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

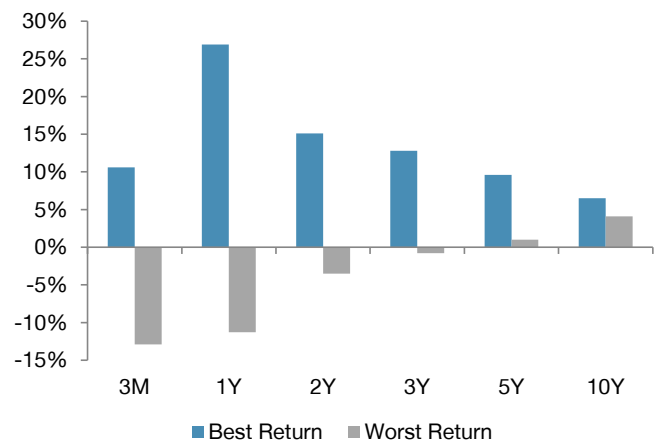
	3M	YTD	1Y	3Y	5Y	10Y	15Y	Incep <sup>1</sup>
<b>Founders Fund (after-fee)</b>	<b>5.7%</b>	<b>10.3%</b>	<b>17.8%</b>	<b>3.8%</b>	<b>5.7%</b>	<b>5.0%</b>	<b>N/A</b>	<b>6.2%</b>
Canadian Bond Index	4.6%	4.1%	12.7%	-0.1%	0.5%	2.2%	N/A	2.4%
Global Stock Index (\$Cdn)	5.2%	21.0%	31.6%	10.6%	12.9%	11.9%	N/A	13.3%
Canadian Stock Index	10.1%	17.0%	26.3%	9.1%	10.4%	7.3%	N/A	7.8%

<sup>1</sup>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 up 6.0% in the quarter. Since inception (Feb 2019), it has a cumulative return of 48%, which equates to an annualized return of 7.3%.

### Portfolio Specifics

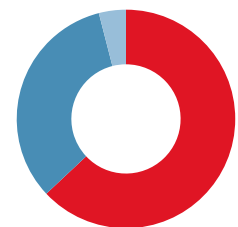
- The fund rose 6.0% in the quarter and is up 14.3% year-to-date. Its performance was ahead of the global index but trailed the Canadian market.
- Investments are allocated roughly two-thirds towards foreign businesses and one-third towards companies based in Canada. The bias to foreign companies reflects 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 18% of the fund. Large holdings include VISA, S&P GLOBAL, and TD BANK. We also own a group of leading insurance companies, including RENAISSANCERE, AIA GROUP, and STEADFAST. CME GROUP (derivatives marketplace), TMX GROUP (market exchanges), and FIRSTCASH HOLDINGS (pawn stores) provide additional diversification. Many of these holdings were strong performers in Q3.
- The technology sector is another important area of investment, comprising 15%. Our focus is on established industry leaders such as MICROSOFT. Other investments include QUALCOMM (chips for smartphones), SAMSUNG ELECTRONICS (diversified technology), CONSTELLATION SOFTWARE (software), and ONTO INNOVATION (semiconductor inspection tools). It was a weak quarter for tech stocks in general, including our holdings (Constellation Software being an exception).
- The portfolio has modest exposure to resource stocks (6%), including TOREX GOLD RESOURCES (gold producer), CAPSTONE COPPER (copper miner), TOTALENERGIES (oil & gas), INTERFOR (lumber), and CAMECO (uranium), but commodity companies represent a smaller component of the fund due to their inherent cyclicality. That said, these stocks have been some of our strongest performers this year.

#### Fund Mix

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



#### Asset Mix



Foreign Stocks	65%
Canadian Stocks	32%
Cash & Short-term	3%

Fund size \$232,008,808

### Positioning

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



## Builders Fund

### Attributes

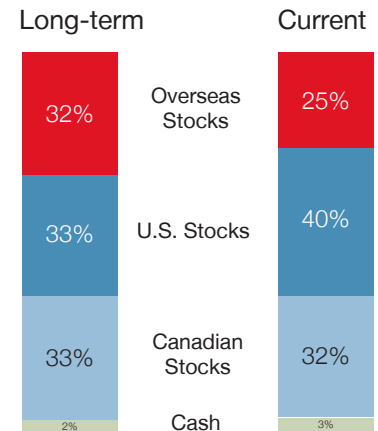
#### Top Stock Holdings (% of Fund)

Microsoft	3.2%
Danaher	2.1%
Visa	2.1%
S&P Global	1.9%
Thomson Reuters	1.8%
Lennar	1.8%
Metro	1.6%
CN Rail	1.6%
Costco Wholesale	1.6%
Dollarama	1.5%

#### Sector Allocation (Stocks)

Industrial Goods & Svc	29.6%
Financial Services	18.2%
Technology	15.3%
Healthcare	9.3%
Retailing	7.9%
Consumer Cyclical	7.7%
Consumer Products	6.2%
Basic Materials	3.9%
Oil & Gas	1.9%

#### Asset Mix



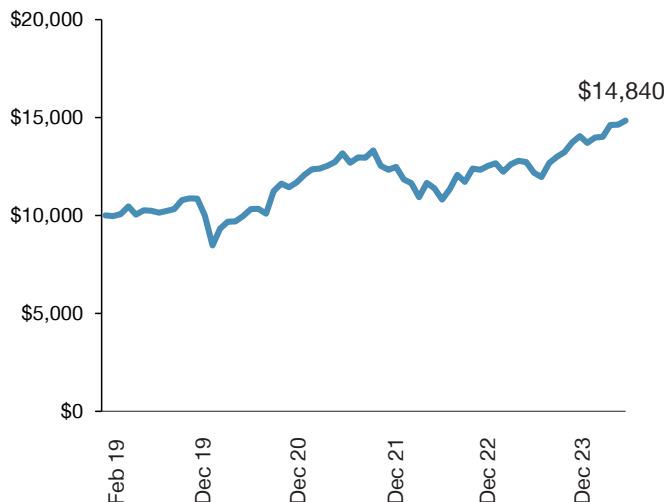
### Performance

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

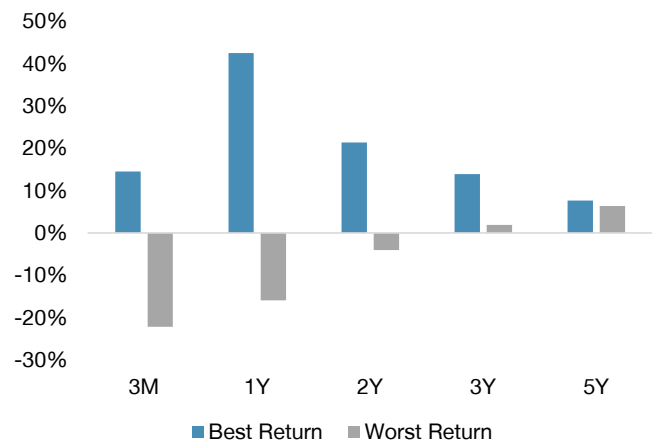
	3M	YTD	1Y	3Y	5Y	10Y	15Y	Incep <sup>1</sup>
<b>Builders Fund (after-fee)</b>	<b>6.0%</b>	<b>14.3%</b>	<b>21.9%</b>	<b>5.4%</b>	<b>7.7%</b>	<b>N/A</b>	<b>N/A</b>	<b>7.3%</b>
Global Stock Index (\$Cdn)	5.2%	21.0%	31.6%	10.6%	12.9%	N/A	N/A	12.7%
Canadian Stock Index	10.1%	17.0%	26.3%	9.1%	10.4%	N/A	N/A	10.6%

<sup>1</sup>Feb 15, 2019

#### Growth of \$10,000 Since Inception



#### Best and Worst Annualized Returns





## Income Fund

### Market Context

- The Canadian bond market returned 4.6% in the quarter.
- Bond yields declined meaningfully, with shorter-term maturities seeing the biggest moves. The benchmark 10-year Government of Canada yield fell from 3.5% to 2.9%.
- Canadian stocks rose 10.1%. Financials, utilities, basic materials, and real estate were areas of strength, while the energy sector lagged.

### Portfolio Specifics

- The fund gained an impressive 6.0% in the quarter, and is up 6.6% year-to-date. The bond component of the portfolio (75%) performed well, outpacing the broader market. Our fixed income strategy benefited from a flattening of the yield curve (whereby short-term yields saw sharper declines than their longer-term counterparts), and our provincial and corporate bonds turned in strong performances.
- As for our corporate bond holdings, we have a few key industry-specific themes in place: we've increased our exposure to utility generators (given the strong demand outlook for electricity and natural gas), reduced our weighting in banks (as consumers are increasingly levered), and added to telecoms as specific opportunities have arisen.
- Globally, we're seeing an easing in short-term interest rates. The Bank of Canada lowered its key policy rate twice in the quarter (to 4.25%), and the U.S. Federal Reserve initiated its first cut, by a larger than normal 0.5%, while signaling more to follow so long as inflation continues to recede towards the central bank's target. These easier financial conditions will help support the economy and should continue to benefit bonds, as their prices generally rise when interest rates fall.
- We've been building a modest position in real return bonds (which pay a return adjusted for inflation) more recently, as our manager, Connor, Clark & Lunn, believes these securities offer good value and are not reflecting the potential for a re-acceleration in inflation in 2025.
- The fund's equities (25% of the portfolio) were the strongest performers in the quarter. Notably, our real estate and other interest rate-sensitive stocks (e.g., utilities, pipelines, and telecoms) saw strong gains. Our focus continues to be on companies with solid balance sheets, resilient earnings, and a history of dividend growth. We reduced our exposure to oil producers (CENOVUS ENERGY and VEREN were sold) and added to pipelines (TC ENERGY was purchased), which tend to be less cyclical.
- The fund paid a distribution of \$0.07/unit at the end of September.

### Positioning

- Our focus remains on high-quality companies. CC&L's base case is still for a mild recession in Canada, with central banks taking a careful approach to further rate cuts.
- Stocks make up 25% of the fund and remain an important source of diversification.

The fund was up 6.0% in the quarter. Since inception (Feb 2007), it has a cumulative return of 124%, which equates to an annualized return of 4.7%.

### Notable Stock Transactions

#### Buy/Add

TC Energy\*  
 TD Bank\*  
 Brookfield Corp.\*  
 CGI Inc.\*  
 Hydro One\*

\*New holding

#### Trim/Sell

Genovus Energy<sup>1</sup>  
 Veren<sup>1</sup>  
 Russel Metals<sup>1</sup>  
 Boyd Group Services<sup>1</sup>

<sup>1</sup>Position eliminated

Fund size	\$76,451,638
Pre-fee Yield	3.8%
Avg Term to Matur.	10.0 yrs
Duration (Bonds)	7.1 yrs





## Income Fund

### Attributes

#### Top Holdings (% of Fund)

CC&L High Yield Bond Fd	5.0%
Canada 2.75% (Dec/55)	2.6%
Royal Bank	1.9%
Quebec 4.45% (Sep/34)	1.9%
Quebec 4.40% (Dec/55)	1.7%
Hydro Quebec 3.40% (Sep/29)	1.5%
Canada 4.00% (Aug/26)	1.5%
Ontario 3.80% (Dec/34)	1.4%
Ontario 2.70% (Jun/29)	1.4%
Ontario 2.15% (Jun/31)	1.4%

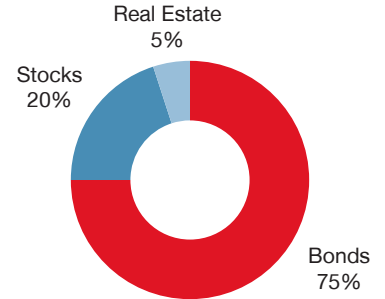
#### Issuer Allocation (Bonds)

Federal Government	15%
Provincial Government	44%
Corporate	41%

#### Rating Summary (Bonds)

AAA	19%
AA	36%
A	14%
BBB	28%
BB (or lower)	3%

#### Asset Mix



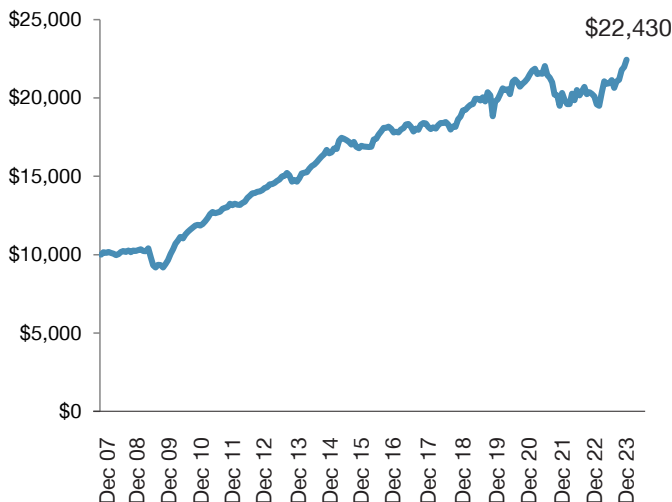
### Performance

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

	3M	YTD	1Y	3Y	5Y	10Y	15Y	Incep*
<b>Income Fund (after-fee)</b>	<b>6.0%</b>	<b>6.6%</b>	<b>14.5%</b>	<b>1.4%</b>	<b>2.4%</b>	<b>3.1%</b>	<b>4.8%</b>	<b>4.7%</b>
Canadian Bond Index	4.6%	4.1%	12.7%	-0.1%	0.5%	2.2%	3.1%	3.5%
Canadian Stock Index	10.1%	17.0%	26.3%	9.1%	10.4%	7.3%	7.5%	6.0%

\*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) rose 10.1% in the third quarter. Most industry sectors posted positive returns, with real estate, financial services, and utilities among the best performers.
- Global stocks, as measured by the Morningstar Developed Markets Index, gained 5.2% in Canadian dollars.

### 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 strong quarter, rising 7.0%, and is up 16.6% this year. Top performers in the period included fast food leader MCDONALD'S (+20%), and financial services companies S&P GLOBAL (+16%), TD BANK (+14%), and TMX Group (+12%).
- McDonald's gain this quarter offset its losses from earlier in the year. The low-income consumer has struggled in this economic environment. In the U.S., this consumer is often attracted to McDonald's, but recently has found its meals too expensive. The company responded with a \$5 value meal which has brought customers back into the store and strengthened its value proposition.
- As one of the main credit rating agencies for bonds, S&P Global has benefited from an increase in bond issuance. However, rating demand can be cyclical. Our manager, Fiera Capital, likes the business because it has diversified its revenue base with increasing sales coming from index and market data. Likewise, stock exchange operator TMX Group has broadened its revenue streams to become a more diversified business. Both stocks are large holdings in the portfolio.
- NESTLE, a leading Swiss-based consumer products company, has had a challenging year, falling 13%. The company's revenue growth has slowed and it recently announced a leadership change to help right the ship. The new CEO is a longtime Nestle executive (his predecessor was brought in from another industry) who believes the company needs to focus more on its core offering. Fiera is watching Nestle closely to see how the new boss responds to the challenge.
- Our two rail holdings, CN RAIL and CANADIAN PACIFIC KANSAS CITY, were hurt by the work stoppage in the summer and have detracted from performance this year. With the labour problems behind them, both franchises are in tact and ready for volume.
- There were no new purchases or stock sales in the quarter.

### 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.

The fund was up 7.0% in the quarter. Since inception (Feb 2007), it has a cumulative return of 240%, which equates to an annualized return of 7.2%.

### Notable Transactions

#### Buy/Add

None

#### Trim/Sell

TD Bank  
Danaher

Fund size	\$106,178,013
No. of stocks	26



## Equity Fund

### Attributes

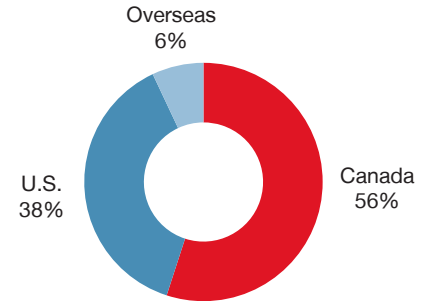
#### Top Stock Holdings

Visa	6.0%
S&P Global	5.5%
Thomson Reuters	5.1%
Metro	4.7%
CN Rail	4.7%
Costco Wholesale	4.7%
Microsoft	4.6%
Dollarama	4.4%
Constellation Software	4.2%
TMX Group	4.2%

#### Sector Allocation (Stocks)

Industrial Goods & Svc	26.2%
Financial Services	25.4%
Retailing	20.8%
Technology	16.2%
Consumer Products	4.9%
Healthcare	3.8%
Consumer Cyclical	2.7%

#### Geographic Profile (Stocks)



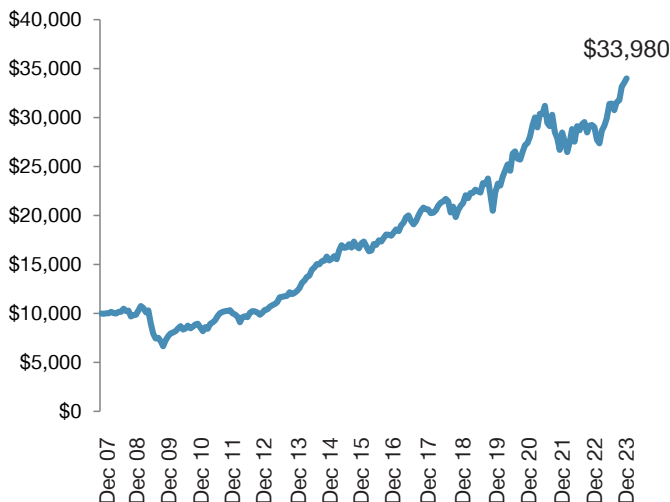
### Performance

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

	3M	YTD	1Y	3Y	5Y	10Y	15Y	Incep <sup>1</sup>
<b>Equity Fund (after-fee)</b>	<b>7.0%</b>	<b>16.6%</b>	<b>22.7%</b>	<b>5.4%</b>	<b>8.6%</b>	<b>8.2%</b>	<b>9.5%</b>	<b>7.2%</b>
Canadian Stock Index	10.1%	17.0%	26.3%	9.1%	10.4%	7.3%	7.5%	6.0%
Global Stock Index (\$Cdn)	5.2%	21.0%	31.6%	10.6%	12.9%	11.9%	12.0%	8.2%

<sup>1</sup>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 5.2% in Canadian dollar terms in the third quarter.
- Financials, basic materials, utilities, and industrial companies were areas of strength while the energy and technology sectors lagged. European markets and Japan generally performed better than the U.S.

### Portfolio Specifics

- The fund owns 48 stocks, of which 21 are domiciled in the U.S., 12 in Europe, 8 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 gained 4.8% in the quarter and is up 13.5% this year. While these numbers are solid, the fund has lagged the broader market. Our manager, Aristotle Capital, is increasingly focused on maintaining a well-diversified portfolio, by industry and geography, 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.
- Japanese holdings MONOTARO and OTSUKA HOLDINGS had a strong quarter, both gaining more than 20%. TOKYO CENTURY CORP., a new addition to the portfolio, has also been a solid performer since our purchase. The company specializes in providing equipment leases on long-term assets, with the bulk of its business coming from aircraft and IT leasing. The stock trades at a compelling valuation.
- Many of our European investments turned in strong operating results, including ALCON (eye care), RATIONAL (industrial kitchen equipment), ASSA ABLOY (locks and entrance automation solutions), and DSM-FIRMENICH (vitamins, health and beauty), which benefited from a fire at a production facility of one of its key competitors.
- On the negative side of the ledger, pest control leader RENTOKIL has experienced a difficult year, with its stock falling 17%. Management acknowledged that its merger with Terminix was taking longer to bear fruit. Aristotle continues to see long-term potential in the combined entity despite the setbacks.
- Our technology holdings were also weak in the quarter, as sentiment towards the sector cooled off. MICROSOFT, ADOBE, MICROCHIP TECHNOLOGY, QUALCOMM, and SAMSUNG ELECTRONICS all traded lower.

The fund was up 4.8% in the quarter. Since inception (Feb 2007), it has a cumulative return of 80%, which equates to an annualized return of 3.4%.

### Notable Transactions

#### Buy/Add

Tokyo Century Corp.<sup>1</sup>  
\*New holding

#### Trim/Sell

Brookfield Corp.  
 Pan Pacific Intl. Holdings  
 Symrise AG  
 Assa Abloy

### 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	\$56,081,077
No. of stocks	48



## Global Equity Fund

### Attributes

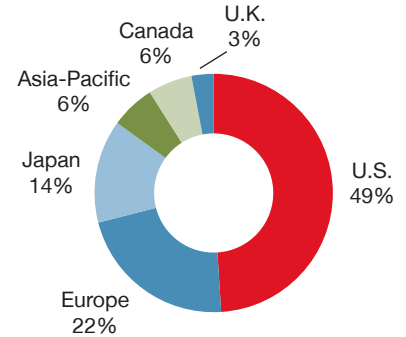
#### Top Stock Holdings

Lennar	5.1%
Microsoft	4.7%
Cameco	3.2%
MunichRe	3.2%
Martin Marietta	3.1%
MonotaRO	2.8%
Amgen	2.6%
TotalEnergies	2.5%
FirstCash Holdings	2.5%
Microchip Technology	2.5%

#### Sector Allocation (Stocks)

Industrial Goods & Svc	24.7%
Technology	19.0%
Financial Services	17.1%
Healthcare	14.3%
Consumer Cyclical	12.7%
Consumer Products	5.0%
Basic Materials	3.3%
Oil & Gas	2.6%
Retailing	1.3%

#### Geographic Profile (Stocks)



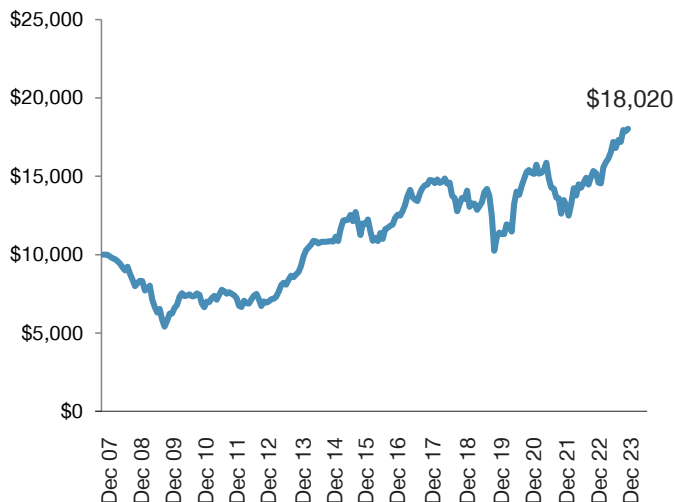
### Performance

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

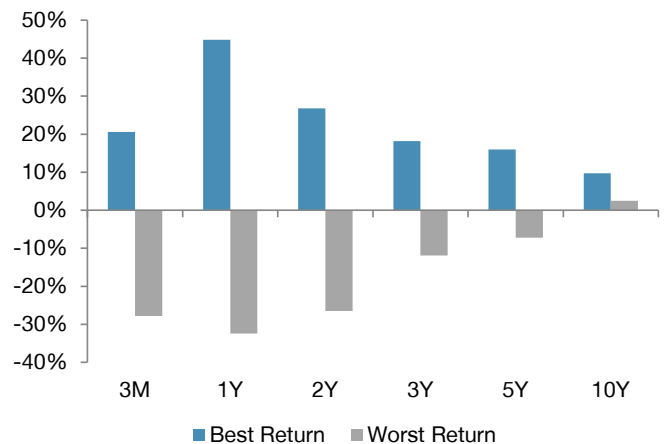
	3M	YTD	1Y	3Y	5Y	10Y	15Y	Incep <sup>1</sup>
<b>Global Equity Fund (after-fee)</b>	<b>4.8%</b>	<b>13.5%</b>	<b>23.5%</b>	<b>5.9%</b>	<b>6.6%</b>	<b>5.2%</b>	<b>6.0%</b>	<b>3.4%</b>
Global Stock Index (\$Cdn)	5.2%	21.0%	31.6%	10.6%	12.9%	11.9%	12.0%	8.2%

<sup>1</sup>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 9.8% in the quarter. U.S. small-caps were up 7.0% in Canadian dollar terms.
- Communication services and basic materials stocks were the strongest performers. Energy stocks, on the other hand, traded lower as the price of oil fell 18%.

### 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 19% of the portfolio's stocks.
- The portfolio gained 5.3% in the quarter and is up 14.1% year-to-date. Our resource investments were among the top performers in Q3, and have been key drivers of performance this year. Gold producer TOREX GOLD RESOURCES was up over 20% in the quarter and has risen 75% in 2024. The company is benefiting from strong gold prices and positive sentiment towards the metal, which is widely viewed as a hedge against geopolitical instability. Copper miner CAPSTONE COPPER gained 9% and is up over 60% this year. Our manager, Galibier Capital, likes the fundamentals for copper, given its key role in the electrification of the global economy, and feels Capstone has an attractive portfolio of long-life mines.
- VF CORPORATION, an American apparel and footwear company, also had a great quarter, with the stock up 45%. VF has been volatile, but Galibier likes the new management team and recent hire of Sun Choe (Lululemon's former Chief Product Officer) to lead a turnaround of the company's key *Vans* brand.
- Other strong performers included lumber producer INTERFOR and mobility products specialist SAVARIA. Interfor rose 23%, a nice rebound after a weak stretch earlier in the year. With the housing shortages in the U.S. and Canada, the company is well positioned as a leading producer of high-quality lumber for joist, flooring and roofing products. Savaria gained 20%, and is up over 40% this year, on the back of strong financial results as management has adeptly integrated recent acquisitions.
- BOYD GROUP SERVICES has been a key detractor to performance this year, with the stock down almost 30% (-20% in Q3). The company, which operates collision repair centers in North America, has been hurt by good weather. A lack of snow on the roads led to a lower volume of accidents and repairs this year. Boyd continues to grow through smart acquisitions, however, and trades at an attractive valuation.
- There were no new purchases or stock sales in the quarter.

### 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.

The fund was up 5.3% in the quarter. Since inception (Feb 2007), it has a cumulative return of 240%, which equates to an annualized return of 7.2%.

### Notable Transactions

#### Buy/Add

Badger Infrastructure Solutions  
ATS Corporation  
Greenbrier Companies

#### Trim/Sell

Savaria  
Capstone Copper  
Generac Holdings  
Torex Gold Resources  
VF Corporation

Fund size	\$48,227,350
No. of stocks	21



## Small-Cap Equity Fund

### Attributes

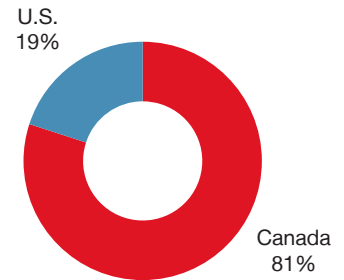
#### Top Stock Holdings

MEG Energy	6.7%
Torex Gold Resources	6.4%
Finning International	6.2%
Premium Brands Holdings	5.8%
Capstone Copper	5.8%
Interfor	5.3%
Savaria	5.0%
Greenbrier Companies	5.0%
Enghouse Systems	4.6%
Sleep Country Canada	4.5%

#### Sector Allocation (Stocks)

Industrial Goods & Svc	48.8%
Basic Materials	18.5%
Consumer Cyclical	10.1%
Oil & Gas	7.1%
Consumer Products	6.1%
Technology	4.9%
Healthcare	4.5%

#### Geographic Profile (Stocks)



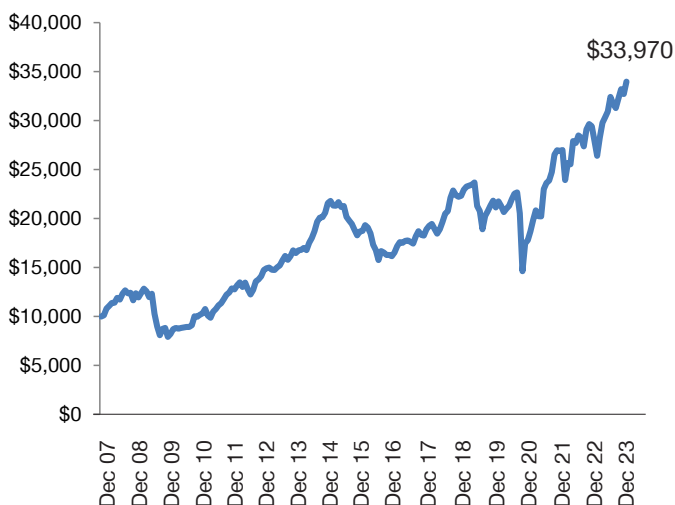
### Performance

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

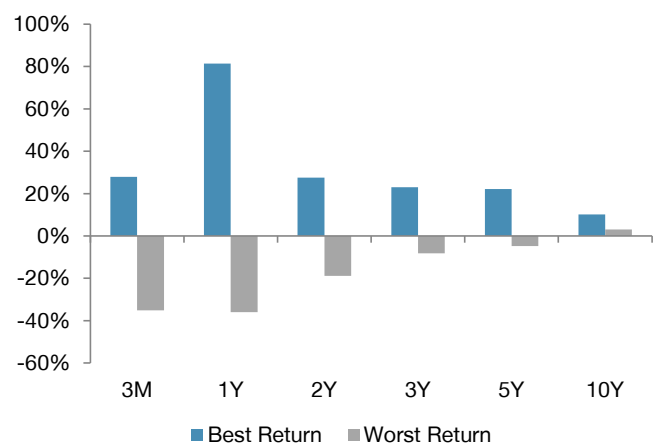
	3M	YTD	1Y	3Y	5Y	10Y	15Y	Incep <sup>1</sup>
<b>Small-Cap Equity Fund (after-fee)*</b>	<b>5.3%</b>	<b>14.1%</b>	<b>21.6%</b>	<b>8.9%</b>	<b>10.1%</b>	<b>5.4%</b>	<b>9.3%</b>	<b>7.2%</b>
Canadian Small-Cap Stock Index	9.8%	21.9%	27.9%	7.5%	9.5%	4.1%	4.5%	1.8%
U.S. Small-Cap Stock Index (\$Cdn)	7.0%	12.8%	25.4%	5.9%	9.8%	10.3%	12.3%	8.4%

<sup>1</sup>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) rose 7.4% in Canadian dollar terms in the third quarter.
- Financial services, real estate, communication services, and consumer stocks were areas of strength, while energy and technology stocks were weak.

### Portfolio Specifics

- The portfolio is currently invested in 50 companies. 22 are based in the U.S., 11 in Europe, 7 in Japan, 5 in the U.K., 3 in Australia, and 2 in South America.
- The fund had a strong quarter, gaining 7.1%, and is up 10.9% year-to-date. Our industrial holdings, which comprise the largest component of the portfolio (35%), were an area of strength. Our financial services and consumer investments also performed well, while the technology sector cooled off and our holdings were down.
- Our top performers included U.S. industrials REGAL REXNORD (maker of electric motors), EMCOR GROUP (mechanical and electrical construction services), and FIRST ADVANTAGE (employment background screening), all of which gained roughly 20%. LOAR HOLDINGS (aerospace components), a smaller position which was purchased last quarter, was also a standout, rising 40%. Overseas financial services companies RAKUTEN BANK and ST. JAMES'S PLACE were strong contributors, as were food distribution/retailing specialists KOBE BUSSAN and PERFORMANCE FOOD GROUP.
- While mega-cap technology stocks have been the market leaders over the past several quarters, their smaller counterparts have experienced more volatility and investor scrutiny. This was evident in the quarter with JFROG (software) and SYNAPTICS (human interface hardware), which were penalized by investors for reporting results that were slightly below targets. ONTO INNOVATION (semiconductor inspection tools), TOTVS (software), and MACOM TECHNOLOGY SOLUTIONS (semiconductor components) also traded lower despite turning in solid operating results. Our manager, TimesSquare Capital, continues to like the outlooks for these businesses.
- Three new stocks were purchased, all in Japan, a country where TimesSquare continues to see compelling opportunities. AZBIL CORPORATION makes building automation software and sensors. The company is growing steadily in Asia and is well positioned to benefit from the ongoing demand for new data centers in the region. TIMEE INC. is the developer of a popular job matching app that is helping address the country's labour shortage. And INTEGRAL CORPORATION is one of only a few Japanese private equity firms, which is benefiting from its local expertise.
- Five stocks were sold to fund the purchases and trim our total number of investments.

### 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, along with a management team that has experience and integrity.

The fund was up 7.1% in the quarter. Since inception (Feb 2019), it has a cumulative return of 40%, which equates to an annualized return of 6.2%.

### Notable Transactions

#### Buy/Add

Azbil Corporation\*  
Timee Inc.\*  
Integral Corporation\*  
Aster Labs  
Loar Holdings  
\*New holding

#### Trim/Sell

Ag Growth International<sup>1</sup>  
AZ-Com Maruwa<sup>1</sup>  
Embraer<sup>1</sup>  
Huhtamaki<sup>1</sup>  
Topdanmark<sup>1</sup>  
<sup>1</sup>Position eliminated

Fund size	\$12,179,629
No. of stocks	50



## Global Small-Cap Equity Fund

### Attributes

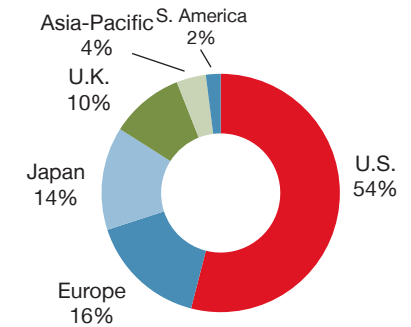
#### Top Stock Holdings

Clean Harbors	4.9%
Chemed	3.6%
Regal Rexnord	3.3%
Rakuten Bank	3.1%
First Advantage	3.0%
Performance Food Group	2.9%
KDX Realty Investment	2.9%
EMCOR Group	2.8%
Casella Waste Systems	2.8%
Tate & Lyle	2.6%

#### Sector Allocation (Stocks)

Industrial Goods & Svc	35.0%
Financial Services	18.8%
Technology	16.4%
Healthcare	11.1%
Consumer Products	8.4%
Consumer Cyclical	7.4%
Real Estate	2.9%

#### Geographic Profile (Stocks)



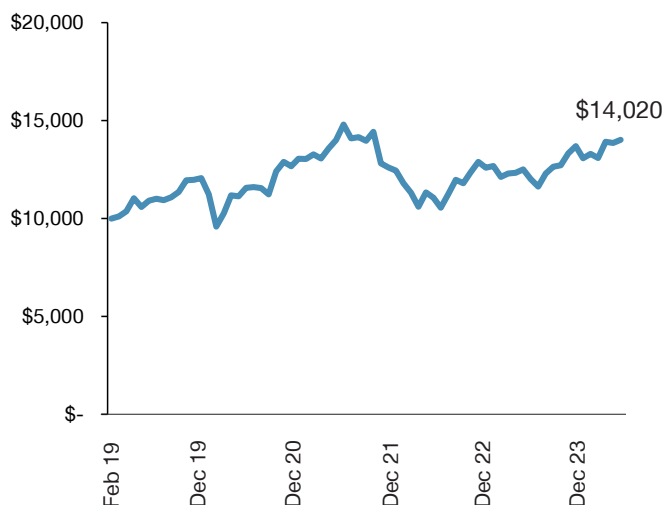
### Performance

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

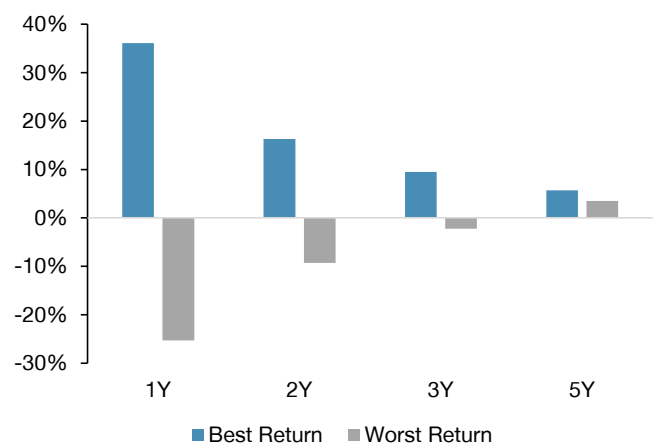
	3M	YTD	1Y	3Y	5Y	10Y	15Y	Incep <sup>1</sup>
<b>Global Small-Cap Equity Fund (after-fee)</b>	<b>7.1%</b>	<b>10.9%</b>	<b>16.7%</b>	<b>-0.2%</b>	<b>4.8%</b>	<b>N/A</b>	<b>N/A</b>	<b>6.2%</b>
Global Small Cap Stock Index (\$Cdn)	7.4%	12.9%	24.6%	4.7%	8.8%	N/A	N/A	7.8%

<sup>1</sup>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 twice in the quarter, by 0.25% each time, bringing it down to 4.25%.
- Economic activity softened in the summer and the labour market continued to slow, although wage growth held steady. Inflation eased further, to roughly 2.5%. Higher shelter prices remain the biggest contributor to total inflation, but this measure is starting to slow as well. Against this backdrop, the Bank of Canada feels that easier monetary conditions are appropriate. The Governing Council has emphasized that the Bank remains resolute in its commitment to restoring price stability.
- 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 1.1% in the quarter. Since inception (Feb 2007), it has a cumulative return of 31%, which equates to an annualized return of 1.5%.

### Positioning

- T-Bills comprise 72% of the portfolio, while corporate paper makes up 28%.
- We increased our weighting in provincial T-Bills, which offer attractive yields.
- The pre-fee yield of the portfolio at the end of September was 4.0%.

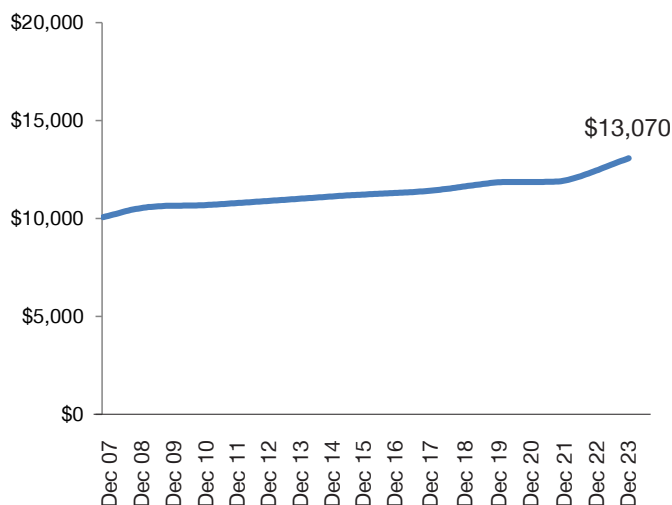
## Performance

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

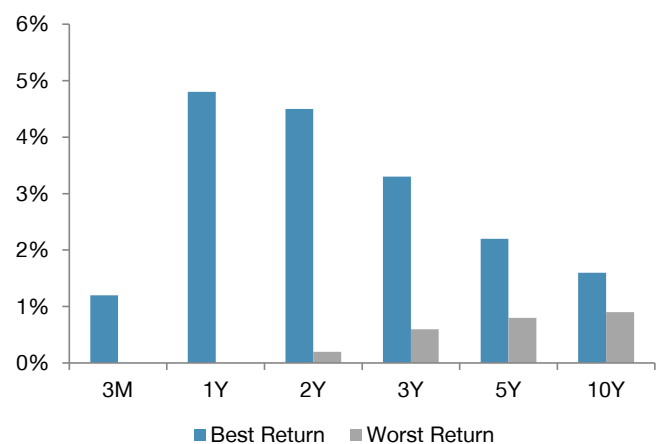
	3M	YTD	1Y	3Y	5Y	10Y	15Y	Incep*
<b>Savings Fund (after-fee)</b>	<b>1.1%</b>	<b>3.4%</b>	<b>4.7%</b>	<b>3.3%</b>	<b>2.2%</b>	<b>1.6%</b>	<b>1.4%</b>	<b>1.5%</b>
Canadian Cash Index	1.1%	3.7%	5.0%	3.4%	2.2%	1.6%	1.3%	1.6%

\*Feb 13, 2007

### Growth of \$10,000 Since Inception



### Best and Worst Annualized Returns



## The loneliness of the long-term investor

Special to the Globe and Mail, by Tom Bradley, September 23, 2024

Investing is a marathon, not a sprint. It's a hackneyed phrase but couldn't be more true. What's the good of racing past other runners at mile 10 only to hit the wall at mile 23 and stagger in.

Similarly, investing is a lifelong endeavour. It may well outlast your passion for the Canucks or Joni Mitchell. The more time I spend on investment committees and with individual clients, the higher I move the endurance factor on my list of investment criteria. Can a strategy and investment routine be sustained for a long period of time?

Morgan Housel, a partner at *Collaborative Fund*, says it well. Your objective shouldn't be the highest return but rather the best return you can earn for the longest period of time.

Let me start with an example. If you're a young investor with a multidecade time horizon, it makes sense to be 100 per cent invested in stocks. It's undisputable that stocks provide the highest return over time. But there's an important caveat. You must stay invested. You can't waver, at least until you're much older and have a need for income and stability.

Numbers are useful here. The strategy works brilliantly if you can stick to it when your \$100,000 portfolio drops to \$75,000 (before it goes to \$200,000 and beyond). If you can't, then another strategy with less volatility, one you can tolerate, will produce a better long-term return.

You get the picture. Being a successful investment marathoner is simple in concept but hard to execute. You need to accept some important and inconvenient truths.

For instance, down markets are the price of admission for long-term gains. Market timing and sector rotation are not viable investment strategies. Getting out of stocks at the right time is impossible to do consistently, and getting back in is even harder.

You need to do something that sometimes isn't very appealing, namely, diversify. Owning a range of investments across asset types, industry sectors, geographies and currencies smooths the path of returns and more importantly, eliminates the possibility of capital loss. But it's unappealing to many investors

because it means owning things that aren't doing well (but will help in other market environments) and not owning enough of what's hot, including the stock your friend is (allegedly) making a killing on.

On that note, the amount of risk taken by that friend likely makes no sense for your retirement portfolio. A stock or fund that can double in a year, can halve just as fast.

And the news cycle is not there to help you achieve your long-term goals. It's designed to maximize clicks from investors who are not doing it your way. Being a disciplined, long-term investor is much lonelier than going where the media is focused or buying what your friends are touting. It's boring and dare I say, makes for dreadful dinner party conversation.

Fortunately, there are a few things you can do to deal with the loneliness and build up your endurance.

**First, have realistic expectations.** Know that every fourth or fifth year your portfolio will be down. On occasion, it might be down a lot. And don't expect someone who picked a great stock or timed the market correctly will necessarily get it right next time. Luck is often disguised as skill.

**Second, have a clear goal for each bucket of money.** A volatile strategy doesn't fit for funds that will be needed in the next one to three years. Conversely, a steady, GIC-like approach is inappropriate for a portfolio with an extended time horizon. Having the goal flashing in your face helps prevent you from getting distracted.

**Third, pursue a strategy you can sustain no matter what's going on in your life.** Pick a provider and develop a routine that reflects your personality and lifestyle. One that fits with the amount of time and expertise you have and keeps working when you get busy at work or go on an around-the-world cruise.

And finally, make sure your support system, whether it be your adviser, friend or parent, is in sync with your approach. You want a steady hand when things are going poorly, not an easy off-ramp that takes you back into the short-term news gauntlet.

# Steadyhand



## Join us on November 13 in Toronto for a discussion with our Equity Fund manager

We're excited to invite you to a special lunchtime event in Toronto on November 13 featuring Nessim Mansoor, the manager of our Equity Fund. Learn what Nessim and his team look for in a business, where they're finding opportunities, and areas of the market they're approaching with caution.

[Register here](#) or call us at 1-888-888-3147.

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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)

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