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Q2 2024 INVESTOR UPDATE

Langdon Canadian Smaller Companies Portfolio

Performance	Q2-2024	YTD	1-Year	3-Year	Since Inception[2]
Langdon Canadian Smaller Companies Portfolio[1]	0.1%	4.4%	10.4%	N/A	12.4%

1 LEP110 (Class F) - performance is net of fees
2 Since date of August 26, 2022

Returns greater than one year are annualized
Past performance is not indicative of future performance. Please see the important information in the endnote below

Cash Flow is (still) our North Star

The Canadian portfolio was flat in the quarter (up 0.1%)[1] in a continuation of the strong, commodity-led market experienced in Q1 of this year.

A company's ability to generate cash through different economic conditions is paramount. At Langdon, cash generation is our North Star and we believe that the rate of free cash flow growth ultimately drives the rate of intrinsic value growth in a business. The companies we own in the Canadian Smaller Companies Portfolio have strong cash flow generation, which cannot be said for all businesses that are included in the Canadian small cap index, the S&P/TSX Completion[2]. **Of the index constituents that have had positive share price returns year-to-date, 4 out of 10 of them generated negative free cash flow over the past 12 months**[3].

Comparing this to Langdon's Portfolio, there is only one business (Aritzia) with negative free cash flow over the past 12 months. This was a direct result of their heavy investment in distribution capabilities. We admire when companies allocate capital countercyclically and find opportunity to build strong relationship with companies and management teams through difficult periods of headwinds.

As long-term investors, it is important to be able to confidently invest in a business through different business and commodity cycles. As small-cap investors, it is critical to understand the management team. Positive free cash flow creates optionality for the business and the management teams in how to allocate the cash and grow their business.

While shorter-time periods may have headwinds influenced by macroeconomic variables, including commodity prices, we retain high conviction that free cash flow growth ultimately leads to value creation.

1 Class F. These net performance figures been provided to Langdon Equity Partners Ltd. by State Street Trust Company Canada
2 S&P/TSX Completion Total Return Index
3 Trailing 12 month is as of the most recent reported financials and is sourced from Bloomberg

The companies behind the performance in the quarter

We've chosen to discuss the best and worst performing companies in the portfolio this quarter. Terravest was up 21% and Boyd Group was down 10% over the quarter.[4]

TerraVest Industries is a consolidator of businesses that manufacture products that transport and store various fuels, chemicals, agricultural products, and food & beverage products. **We added the company to our Portfolio earlier this year after spending time with senior management across Canada**. We built an understanding of the business's operating structure and an appreciation of the improvements made when integrating an acquisition. We see a business with a capable management team that is aligned with shareholders, with insiders owning over 30%.[5]

In late-2023, TerraVest announced their largest acquisition to-date, replicating their strategy used to integrate and add-value to a larger business called Highland Tank, which operates in new end markets (chemical, fuel, and water storage, and grease separation). Similarly, another acquisition called Advanced Engineering Products (AEP) operates in the transportation of liquid consumables. We believe these two acquisitions provide a new growth avenue for TerraVest to consolidate. The business has begun to show its true potential this year, with operating margins and free cash flow generation improving as these larger acquisitions have been integrated. We believe the company is still in the early innings of its inorganic growth story and is in a strong position to continue consolidating operations in highly fragmented industries. We attended several trade shows this year to understand TerraVest's customers, acquisition targets, and its competitors, providing additional context to the strong reputation that TerraVest has built as a consolidator in the industry.

Boyd Group was founded in Winnipeg, MB in 1990 and operates auto body/ collision repair and auto glass services shops across North America. The business services their customers effectively and efficiently, making them a great partner to insurance companies. Historically, the business has grown and achieved density through acquisitions of multi-shop operators (MSOs) which would typically operate anywhere from 10-50 stores in a region. The industry has seen upward pressure on acquisition multiples over time, in part because private equity has deployed capital into the collision repair sector. **We have been pleased to see Boyd remaining disciplined on the price they are willing to pay for the shops, choosing to prioritize returns on invested capital instead of growing at any cost**. We see this to be a function of management alignment and incentive structure, with the management team and Board collectively owning ~$32M of equity in the business. Like Langdon's structure, management are shareholders of the business and seek to optimize returns on capital.

Recently, Boyd has started to open its own stores instead of acquiring these MSOs, which has led to short-term erosion in profitability as the stores take longer to mature when opened organically. As these greenfield stores mature, returns on capital are similar, if not better, than returns that would be expected from acquired stores. Our investment team has followed Boyd for the better part of a decade and the management team is one which we hold in extremely high regard.

The Portfolio Fleet

We frequently describe the **portfolio as a fleet consisting of tugboats, ocean cruise liners, and speed boats**. They are all boats, but they are built to handle different water (macroeconomic) conditions.

4 Portfolio company returns sourced from Bloomberg

5 Terravest company filings and Bloomberg

- The **tugboats** are slower moving but ultimately have high horsepower: *Companies that can be categorized as trading at or below net cash with significant but lumpy growth opportunities. Portfolio example – Guardian Capital.*
- The **ocean cruise liners** are stable and consistent: *Companies that have multiple growth avenues and have stable and consistent growth. Portfolio example – ATS Automation.*
- The **speed boats** are quick moving: *Companies that are higher growth, are quick and frequent deployers of capital, and operate in growing end-markets. Portfolio example – Aritzia.*

At any given time, these boat-types will behave differently. Recently, our tugboats like Guardian, Westaim, and Enghouse (~25% of the portfolio) have been trading very close to our estimate of downside intrinsic value. This is despite all of them generating attractive returns on capital and delivering underlying revenue and profit growth at, or ahead of our expectations. Our conviction in the cash-flow growth of these businesses is strong and is amplified by the net cash balance sheets that they operate.

Overall, the portfolio has continued to mostly demonstrate strong downside protection, largely driven by the strong balance sheets of the businesses. We believe that one of the biggest factors in compounding your wealth is having the comfort in your investments to not get shaken out at the bottom. We are willing to be patient owners of these businesses and know that ultimately share price follows earnings growth.

Next quarter we will share more about where we have travelled recently and our key observations in our endless hunt for non-obvious compounders.

Langdon Investment Team

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Investor

Class F. These net performance figures covers the period from August 26, 2022 to June 30, 2024, and has been provided to Langdon Equity Partners Ltd. by State Street Trust Company Canda for the Canadian Portfolio ("LCSCP"). Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The indicated rates of return 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 funds are not guaranteed, their values change frequently and past performance may not be repeated.

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