| Mackenzie Cundill Team

Portfolio manager monthly insights

During the week after President Trump's April 2nd "Liberation Day", the Cundill team was busy sharpening our pencils and establishing new positions for Cundill funds. As the market got into extreme fear territory, we became increasingly excited about the long term value opportunities presented in the market. Our investment process is about buying out-of-favour stocks at discounted prices. We did what you expect a value manager would do: go bargain hunting when prices are cheap. Fear and uncertainty lead to low prices, and low entry prices tend to lead to high long term returns. We bought great businesses at great prices in early April.

Those great businesses were found in Europe, Japan and the US technology sector.

The German market trades at P/E of 14.7X, the French market at 14.4X and the Japanese market at 13.3X, all of which are much cheaper than the US market at over 20X. Historically there were strong reasons for lower valuation in international markets due to slower economic growth. But two developments are improving valuations in those markets. First is the announced fiscal stimulus from Germany, which is a generational change. Second is the significant corporate governance reforms implemented by the Tokyo Stock Exchange for Japanese corporates to improve Return on Equity.

The US Technology index had declined 25% in seven weeks. This sector is traditionally ignored by many value managers, but the Cundill team has been able to find undervalued businesses that will benefit from ongoing investments in AI. A value stock is simply a security trading at significant discount below its intrinsic value. And given the big declines we saw in the tech sector, that sector provided fertile hunting grounds for bargains post April 2nd. Our tech holdings as a group trade at P/E of 12.9X, lower than the market multiple on financials and materials! And our tech holdings have tremendous growth potential.

Cundill established 10 new positions during the week post Liberation Day. We cut back on stocks that didn't go down, to buy better bargains with clear catalysts to grow and increase valuation. We will be talking about our new positions in coming quarters… with names in industrials, materials, and technology.

This month's stock review: Mackenzie Cundill funds

This month, we are excited to share insights on three stocks that have been long-standing components of our Mackenzie Cundill funds. We'll delve into how these stocks have delivered on their **catalysts**, their recent performance, and our current strategy regarding them.

Skechers: We initiated a position in Skechers, the world's third-largest footwear company, at $33.46 during the height of the COVID-19 pandemic, driven by our conviction in its compelling

top- and bottom-line growth potential. Over the past 4.5 years, Skechers has doubled its revenue and operating earnings—mirroring the performance of our investment, which has also delivered a 2x return. Our original thesis has played out even better than expected, as the brand's innovative footwear offerings continued to gain traction across age groups, geographies, and distribution channels. Despite navigating meaningful challenges—from pandemic-induced store closures to global freight disruptions—we remained confident in the management's ability to execute. Today, the long-term runway thesis remains intact, with continued expansion in high-growth regions such as India and the Far East, and a deepening presence in strategic markets like China. During the recent tariff-related share price pullback, we added to our position, convinced that management has flexibility in manufacturing regardless of the outcome. On May 5th, 3G Capital announced a $63 offer to acquire all shares of Skechers, a 30% premium to previous week's close. Though we would prefer to continue to own Skechers, the performance of the stock since our initiation has been tremendous.

AtkinsRéalis continues to deliver on our thesis since we initiated our position in **July 2019** at $24.63/share. At the time, the company was facing bribery charges and significant construction division losses. However, our sum-of-the-parts valuation gave us 50% upside assuming the company resolves only some of its issues. AtkinsRéalis has since more than delivered on its catalysts. The company settled its bribery charges with the Canadian government at a fraction of the market's expectations, exited the construction and resource business, and refocused on the high value engineering and nuclear services. Our valuation continues to improve as management has been delivering strong organic growth in both the engineering services and nuclear businesses, thus lifting the intrinsic value of the stock. Management has also started the next phase of growth by selling its remaining interest in Highway 407 and shifting to mid-size acquisitions. AtkinsRéalis businesses now line up with WSP and Stantec, while still trading at a significant discount. We expect this discount to close as the company delivers on its organic and M&A strategies. ATRL share price (currently $71) experienced very little volatility during the April market turmoil and we continue to hold the stock as a top ten position.

TJX: We initiated a position in TJX Companies in June 2020 at an entry price of $53.38. As the leading off-price retailer of apparel and home furnishings—with a strong footprint across the U.S., Canada, and Europe—TJX offers a compelling value proposition across all income cohorts. Its treasure-hunt shopping experience, combined with its lower price points, has helped insulate the business from e-commerce disruption. Over the years, TJX has steadily taken share from full-price retailers, consistently delivering strong earnings growth—even through volatile macro environments. Backed by experienced leadership, the company rebounded sharply post-COVID and navigated supply chain disruptions with operational excellence. It is therefore not a surprise, that TJX stock (currently $128) has outperformed the S&P 500 year-to-date despite tariff-related headlines causing significant market volatility. With the retail industry facing structural pressures from tariffs and shifting consumer behaviors, we believe TJX is well-positioned to capture further share amid ongoing retail dislocation. Additionally, current tariff-related uncertainty presents a unique inventory sourcing opportunity that should support both earnings growth and margin expansion into 2025 and beyond.

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