

The FGP Preferred Share Fund returned 6.69% in the quarter, compared with the S&P/TSX Preferred Share Index return of 3.49%. In 2024, the Fund returned 34.48%, compared with the benchmark's return of 24.70%.

As 2024 ended, the general trends in the broad economic environment remained more or less in place. Overall global growth remained in positive territory, continuing to be led by the resilient U.S. economy. And while the rate of change in global inflation slowed later in the year, the outright rate of inflation sat at a much lower level than what we witnessed through 2023 and early 2024.

In Canada, the latest measure of annual total inflation fell back to 1.9%, which is pretty much right at the Bank of Canada's (the BoC) target for inflation. This decline allowed the BoC to reduce its policy interest rate by 1.75% in the second half of the year in an attempt to breathe some life into the Canadian economy. This was the largest reduction by any of the major global central banks in 2024.

As we saw in other risk assets (equities, fixed income credit, etc.), the preferred share market generated strong absolute performance during the quarter and finished off a solid 2024. The portfolio significantly outperformed its benchmark during the quarter driven by security selection as our holdings performed well and our segment exposure was positive. Most notably, our holdings of Fairfax Financial benefitted from a bond issuance where the proceeds were specified to be used in the future to call preferred shares. This created a rally in the prices of Fairfax preferred shares in anticipation of potential call activity.

Looking forward, we expect preferred share returns to deliver modest capital appreciation in addition to rising dividends. Changes in taxation and bank capital continued to drive the preferred share market higher and will likely lead to continued interest in the space. The increasing dividend levels should continue to attract income-seeking investors as the relative income level has increased compared with other fixed income market segments.

Weights as at December 31, 2024		
Type of Preferred Share	Weight in the FGP Preferred Share Fund	Weight in the S&P/TSX Preferred Share Index
Fixed Resets	83.6%	77.0%
Straight Fixed	5.5%	21.1%
Floating Rate	8.2%	1.9%
Floating Resets	2.7%	

Source: FGP, TSX

The Foyston, Gordon & Payne Inc. (FGP) performance figures and portfolio statistics shown in this report are for the FGP Pooled Funds. Client returns may vary due to cash flow timing and client-specific constraints.

Investment returns and assets under management are expressed in Canadian dollars unless otherwise noted. Investment returns are gross of investment management fees, net of fund expenses for FGP Pooled Funds, and include reinvestment of dividends and income. Returns are time weighted and annualized for periods greater than one year. Values change frequently and past investment performance may not be repeated.

These views are subject to change at any time based upon market or other conditions and are current as of December 31, 2024.

Forecasting represents predictions of market prices and/or volume patterns utilizing varying analytical data. It is not a guarantee of the performance of the stock market, or of any specific investment.

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