

MARCH 31, 2019

# Burgundy U.S. Small/Mid Cap Fund

## Fund Highlights

### Inception

July 31, 2005

### Strategy AUM

C\$484.8 million

### Portfolio Manager

Steve Boutin, CFA  
Senior Vice President

### Manager Tenure on Mandate

Since September 2012

## Fund Characteristics

### Investment Style

Quality, Value

### Parameters

Security Weight: Max. 10% MV to any one security

Sector Weight: Max. 40% MV to any one sector

Geography: U.S. Equity

Max. 10% foreign equity

Market Cap: US\$750 million to \$8.5 billion  
at initial purchase

Cash: Max. 10%

### Concentrated Portfolio

Range: 30-45 holdings

Currently held: 42 securities

### Portfolio Active Share

97% versus the Russell 2500 Index

## Investment Results — Gross of Fees, reported in Canadian dollars

### Annualized Rates of Return, as at March 31, 2019 (%)

	Quarter	One Year	Three Years	Five Years	Ten Years	Since*
<b>U.S. Small/Mid Cap Fund</b>	<b>10.4</b>	<b>14.0</b>	<b>15.8</b>	<b>14.0</b>	<b>18.4</b>	<b>11.1</b>
Russell 2500 Index	13.5	8.3	13.7	12.0	16.9	9.0

\*Inception Date: July 31, 2005

### Calendar Year Returns (%)

	2018	2017	2016	2015	2014	2013
<b>U.S. Small/Mid Cap Fund</b>	<b>8.0</b>	<b>9.6</b>	<b>13.3</b>	<b>16.1</b>	<b>15.7</b>	<b>41.3</b>
Russell 2500 Index	(2.1)	9.1	14.1	15.8	16.8	46.0

## Characteristics of a High Quality Portfolio<sup>1</sup>

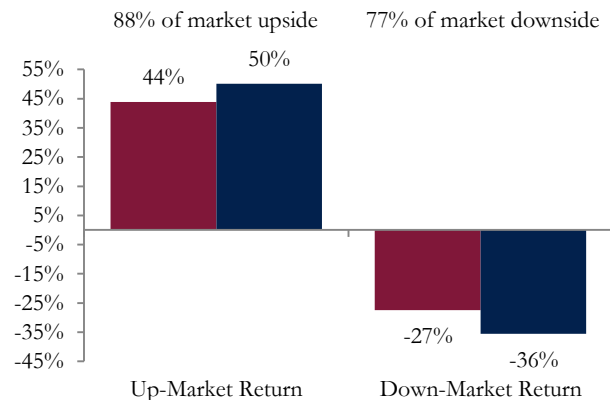
	U.S. Small/Mid Cap Fund	Russell 2500 Index
<b>Quality</b>		
Return on equity (5-year average)	22.9%	8.2%
Debt/capital	29.2% <sup>2</sup> / 42.6%	45.8%
Growth in revenue (5-year average)	8.9%	4.4%
Growth in earnings (5-year average)	10.6%	8.9%
<b>Valuation</b>		
Price to earnings (NTM)	14.0x	18.9x
<b>Margin of Safety</b>		
Discount to Intrinsic Value	10 - 12%	n.a.

## Risk/Return Profile — 5-year statistics



Median	1.0	0.1	0.9	13.4
<b>Burgundy</b>	<b>4.3</b>	<b>0.4</b>	<b>1.2</b>	<b>11.2</b>
% Rank	12	25	8	3

## Upside/Downside Capture — Capital Preservation



■ Burgundy U.S. Small/Mid Cap Fund    ◆ Russell 2500 Index

Based on monthly returns, (C\$, Gross of Fees)  
Source: eVestment Alliance, U.S. Small/Mid Cap Equity Universe

Based on monthly returns since inception (C\$, Gross of Fees)  
Source: eVestment Alliance

## PORTFOLIO ALLOCATIONS ARE A RESULT OF BURGUNDY'S 100% BOTTOM-UP SECURITY SELECTION

Top 10 Holdings <sup>3</sup> (%)	Fund*	Sector Weights <sup>4</sup> (%)	Fund*	Index**
SS&C Technologies Holdings Inc.	7.3	Communication Services	0.9	3.2
Primerica Inc.	5.6	Consumer Discretionary	25.8	11.1
Penske Auto Group Inc.	4.3	Consumer Staples	0.0	2.6
Premier Inc.	3.7	Energy	0.0	3.3
Jefferies Financial Group Inc.	3.7	Financials	28.6	15.0
Gentex Corp.	3.7	Health Care	7.2	13.3
American Homes 4 Rent REIT	3.6	Industrials	14.7	14.9
Copart Inc.	3.6	Information Technology	11.6	17.5
Oaktree Capital Group, LLC	3.5	Materials	2.7	5.3
Laboratory Corp. of America Holdings	3.2	Real Estate	8.4	10.1
<b>Total</b>	<b>42.3</b>	Utilities	0.0	3.7
		<b>Total</b>	<b>100.0</b>	<b>100.0</b>

\*Burgundy U.S. Small/Mid Cap Fund \*\*Russell 2500 Index<sup>2</sup>

## Q1 Performance Commentary

During the quarter, the portfolio underperformed the Russell 2500 Index by 3.1%.

Relative performance was affected due to our exposure to the Consumer Discretionary and Health Care sectors. In the Consumer Discretionary sector, the performance for **Houghton Mifflin Harcourt** suffered after Florida delayed their Math and English curriculum update. Uncertainty regarding healthcare reform in Washington created volatility within the Health Care sector, with portfolio holding **Premier** having a weak quarter.

The Information Technology sector had a strong quarter. Amongst portfolio holdings, **SS&C Technologies** was the top contributor with the company beating revenue and earnings expectations. The company also reported strong results from its latest acquisition, with synergy targets being ahead of schedule.

Despite a weak quarter for Financials, **Primerica** experienced positive gains after recovering from the pre December sell-off.

## Top 5 Contributors and Detractors by Contribution to Return

Contributors (%)	Avg. Qtr. Weight	Qtr. Return	Contrib. to Return	GICS Sector
SS&C Tech. Holdings, Inc.	6.5	38.5	2.2	Info. Technology
Primerica, Inc.	5.4	22.8	1.1	Financials
Copart, Inc.	3.3	24.2	0.7	Industrials
Oaktree Capital Group, LLC	3.1	24.5	0.7	Financials
RE/MAX Holdings, Inc.	2.7	23.4	0.6	Real Estate

Detractors (%)	Avg. Qtr. Weight	Qtr. Return	Contrib. to Return	GICS Sector
Houghton Mifflin Harcourt Co.	2.6	(19.6)	(0.4)	Consumer Disc.
Premier Inc.	4.1	(9.5)	(0.4)	Health Care
United Fire Group, Inc.	0.3	(22.3)	(0.1)	Financials
Waddell & Reed Financial, Inc.	1.3	(5.0)	(0.1)	Financials
Grand Canyon Education, Inc.	0.3	(3.3)	(0.0)	Consumer Disc.

Source: FactSet

<sup>1</sup>Bloomberg data used where possible. In certain situations, more representative numbers based on the Portfolio Manager's research are used; <sup>2</sup>Net of cash; <sup>3</sup>The holdings listed do not include any securities under accumulation (where the Portfolio Manager is in the process of acquiring a full position in a security). Fund weights are true weights; <sup>4</sup>Weights are calculated based on the equity portion of the portfolio (excluding cash and cash equivalents).

All rates of return are time-weighted historical annual compounded total returns and are presented before investment management fees, but after operating expenses. Investments in Burgundy pooled funds assume the reinvestment of all dividends and distributions and do not attract any sales, redemption, distribution or optional charges or commissions or trailing commissions that would reduce returns. The rates of return also do not take into account any income taxes payable by unitholders, where applicable.

The benchmark provided for each Burgundy pooled fund is an appropriate standard against which the performance of the fund can be measured over longer time periods. The benchmark is an index or a blend of indices that represents the investment universe from which managers typically select securities. However, the Burgundy portfolio construction process is benchmark agnostic. As such, pooled fund performance deviations relative to the benchmark may be significant, particularly over shorter time periods. Investing in foreign markets may involve certain risks relating to interest rates, currency exchange rates, and economic and political conditions. Burgundy's portfolios make concentrated investments in a limited number of companies; a change in one security's value may have a more significant effect on the portfolio's value. The Russell 2500 Index measures the performance of the small-to-mid-cap segment of the U.S. equity universe, including approximately 2,500 of the smallest securities based on a combination of their market cap and current index membership.

This information is for Canadian investors only. Investors are advised that their investments are not guaranteed, their values change frequently and past performance may not be repeated. Burgundy pooled funds are not covered by the Canada Deposit Insurance Corporation or by any other government deposit insurer. Select securities may be used as examples to illustrate Burgundy's investment philosophy. Burgundy funds or portfolios may or may not hold such securities for the whole demonstrated period. Returns of certain securities do not represent returns of any Burgundy fund or portfolio. It is not guaranteed that a Burgundy fund or portfolio will have the same or similar performance. A full list of security holdings are provided in quarterly report statements and are also available upon request. This is not intended as an offer to invest in any investment strategy offered by Burgundy. For more information, please contact Burgundy directly. **Sharpe Ratio:** This statistic is computed by subtracting the return of the risk-free index (typically 91-day T-bill or some other cash benchmark) from the return of the manager to determine the risk-adjusted excess return. This excess return is then divided by the standard deviation of the manager. A manager taking on risk, as opposed to investing in cash, is expected to generate higher returns and Sharpe Ratio measures how well the manager generated returns with that risk. In other words, it is a measurement of efficiency utilizing the relationship between annualized risk-free return and annualized standard deviation. The higher the Sharpe Ratio, the greater efficiency produced by this manager. Source: eVestment Analytics

**Standard Deviation:** A measure of the average deviations of a return series from its mean; often used as a risk measure. A large standard deviation implies that there have been large swings or volatility in the manager's return series. Source: eVestment Analytics

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