

# P E M B R O K E

P R I V A T E   W E A L T H   M A N A G E M E N T

P E M B R O K E   A M E R I C A N   G R O W T H   F U N D   I N C .

## **A N N U A L   M A N A G E M E N T   R E P O R T   O F   F U N D   P E R F O R M A N C E** **D E C E M B E R   3 1 ,   2 0 2 5**

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**T H E   P O R T F O L I O   M A N A G E M E N T   T E A M**  
**P E M B R O K E   M A N A G E M E N T   L T D .**

This annual Management Report of Fund Performance contains financial highlights, but does not contain either interim or annual financial statements of the investment fund. You can get a copy of the interim or annual financial statements at your request, and at no cost, by calling 1-800-668-7383, by writing to us at 150 King Street West, Suite 1210, Toronto, Ontario M5H 1J9 or by visiting our website at [www.pml.ca](http://www.pml.ca) or SEDAR at [www.sedar.com](http://www.sedar.com). Shareholders may also contact us using one of these methods (except on the SEDAR website) to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

# PEMBROKE

## PEMBROKE AMERICAN GROWTH FUND INC.

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### **Investment Objective and Strategies**

Pembroke American Growth Fund Inc. (the “Fund”) seeks to provide shareholders with long-term capital growth by investing primarily in small to mid-sized US companies. To achieve the Fund’s investment objective, we invest primarily in companies that have sustainable growth opportunities, a solid financial position, and a capable management team.

### **Risk**

The overall risk of the Fund is as described in the Simplified Prospectus. There were no material changes to the Fund over the financial year that affected the overall level of risk associated with an investment in the Fund. The Fund is suitable for investors who have a medium-to-high tolerance for risk and are seeking long-term capital growth. The Fund holds US securities and, as a result, is exposed to US dollar currency risk. It is not the Fund’s policy to hedge currency exposure as the Board of Directors and Pembroke Management Ltd. (“Pembroke”) do not believe that hedging will add value in the long-term.

### **Results of Operations**

For the year ended December 31, 2025, the Fund posted a return of negative 6.01%. In comparison, the Fund’s benchmark index, the Russell 2000 Total Return posted an increase of 7.45% return for the year. For the year ended December 31, 2024, the Fund posted return of 20.43% compared to the Fund’s benchmark which posted a return of 21.35%.

Pembroke’s portfolios are generally differentiated from the benchmarks they seek to outperform. In this case, the Fund is more concentrated than the Russell 2000. Further, the Fund has very different industry exposures than the benchmark offers. By investing in a select group of high-quality growth companies, Pembroke seeks to deliver superior risk-adjusted returns when measured over the long term while accepting that short-term relative performance can vary negatively or positively to a significant degree.

For the calendar year ended December 31, 2025, the Fund underperformed its benchmark, the Russell 2000 Index. Relative performance was driven primarily by stock selection, which detracted meaningfully over the period, while sector allocation made a modest positive contribution. Positive contributions were generated from Consumer Discretionary, reflecting favourable security selection, as well as from allocation effects in Real Estate, Energy, and Consumer Staples – that is, an underweighting in these sectors. These gains were more than offset by weaker stock selection in Information Technology, Health Care, and Industrials, which were the largest detractors from relative performance.

U.S. equity markets experienced heightened volatility during the year, particularly in the latter months, as investor expectations around interest rates, monetary policy independence, and the sustainability of economic growth continued to evolve. While the U.S. Federal Reserve implemented additional rate cuts, rising longer-term bond yields and a steeper yield curve weighed on equity valuations, particularly within growth-oriented segments of the market. Market leadership remained narrow and rotated frequently, contributing to dispersion in sector and security-level returns.

Two stocks were significant contributors to performance in 2025.

Resideo Technologies is a building-products company that supplies professional installers with residential comfort, security, and control solutions, alongside a global wholesale distribution business serving contractors. During calendar 2025, Resideo’s share price delivered very strong absolute performance despite pronounced volatility throughout the year. The stock declined sharply early in the year amid concerns related to tariffs, Mexican manufacturing exposure, legacy environmental liabilities, and the perceived complexity of its two-business structure. As these risks failed to materialise and management announced plans to separate the Products and Solutions segment from the ADI distribution business, investor sentiment improved materially, driving a sharp re-rating as “sum-of-the-parts” valuation considerations gained traction. Although a modest guidance reduction later in the year triggered another significant pullback, Resideo ultimately finished the year well above its starting level, with 2025 performance reflecting both elevated sensitivity to expectations and a reassessment of the durability of the underlying business.

Installed Building Products (IBP) is a U.S. installer and distributor of construction products—most notably insulation—serving residential new-build and repair/remodel end markets (and increasingly select commercial categories). During 2025, IBP’s share price reflected a push-and-pull between resilient company execution and a mixed housing backdrop: investor attention focused on softer volumes and expectations for year-over-year earnings pressure as higher interest rates and affordability constraints weighed on housing activity, while IBP’s results and commentary also highlighted actions that supported confidence in underlying earnings power, including maintaining margins through operating discipline, continued tuck-in acquisitions, and a meaningful shift toward capital returns via share repurchases when the M&A pipeline was less robust.

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### **Results of Operations (Cont'd)**

Despite actual reported earnings, investors grew increasingly optimistic - on future prospects - as the year progressed. This was bolstered by a steadily declining U.S. mortgage rate and supported by political rhetoric.

Two stocks were significant detractors to performance in 2025.

Vertex is a software company that helps large businesses calculate, manage, and file indirect taxes (such as sales tax, VAT, and similar transaction taxes) across multiple jurisdictions, typically integrated into a customer's ERP and e-commerce systems. The company's share price decline in calendar 2025 was primarily tied to a deterioration in near-term growth visibility rather than a single adverse event: in mid-2025 management reduced its full-year outlook, citing extended sales cycles and delayed customer decision-making that pushed the timing of new contract signings, which the market interpreted as evidence of a slower demand environment and weaker near-term momentum. Sentiment was further pressured later in the year as the company discussed additional headwinds affecting retention and reported demand metrics, including unplanned customer bankruptcies and impacts from legacy platform migrations and shutdown timing, alongside a subsequent adjustment to near-term guidance; despite continued double-digit revenue growth and strong cloud growth, investors reacted negatively to reduced visibility and retention-related issues.

Trex is a U.S. manufacturer of composite decking, railing, and related outdoor living products, primarily serving the residential construction and repair-and-remodel markets. The company's share price declined during calendar 2025 as investors reassessed both near-term demand conditions and the evolving competitive landscape. In addition to softer repair-and-remodel activity and distributor inventory reductions, sentiment weakened following changes in industry structure after a key competitor was acquired and adopted a more aggressive commercial strategy, including bundled offerings and increased price competition. This shift disrupted what had previously been a relatively rational, duopolistic market and raised concerns around margin sustainability, as Trex increased sales and marketing investment and indicated a greater willingness to compete on price. Together, these factors led investors to reassess the company's growth and profitability outlook, contributing to share price weakness during the year. Pembroke exited from our position in the holding during the fourth quarter.

At December 31, 2025, the total net asset value of the Fund was \$184.7 million as compared to \$222.3 million at December 31, 2024. The cash position was 1.22% of net asset value. The number of shares outstanding in the Fund as at December 31, 2025 was 3 million compared with 3.4 million as at December 31, 2024.

Unrealized appreciation on investments at December 31, 2025, was \$46.6 million as compared to \$76.1 million at December 31, 2024, resulting in a decrease in unrealized appreciation on investments of \$29.5 million. The Fund had net realized gains on investments sold during the year of \$15.6 million.

### ***Fees and Expenses***

During the year, the Fund paid a total of \$0.4 million in operating expenses. The management expense ratio ("MER") for shareholders was 0.14%. There are no management fees charged to the Fund since January 1, 2018 as the management fees are charged directly to the shareholders outside the Fund. Refer to the Management Fees section for further details on this.

### ***Shareholder Activity***

Throughout the year, \$7.1 million flowed into the Fund by way of subscriptions and \$31 million flowed out of the Fund as a result of redemptions.

### ***Related Party Transactions***

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Pembroke Private Wealth Management Ltd. ("PPW") is the Fund's Manager. The Fund Manager provides the day-to-day management of the business and operations of the Fund. The fees paid to the Fund Manager are shown in the Management Fees section of this report. Pembroke is the portfolio manager of the Fund. Pembroke is the parent company of the Fund Manager, PPW. Pembroke's fees are paid by the Fund Manager, for services including investment, management, administration, advisory and accounting. The related party transactions take place in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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### Recent Developments

At the Annual Meeting of shareholders, which took place on April 14, 2025, Deloitte LLP were reappointed as the auditor, one Director was re-elected and four Directors were newly elected. The re-elected Director is Mr. Ian Aitken, who has served since 2009. The newly appointed Directors are Mr. J. Matthew Beckerleg, Mr. Jeffrey S.D. Tory, Mr. T John Quinn and Mr. Dominic M. Costantini. The next Annual Meeting of shareholders is scheduled for April 20, 2026.

### Outlook

Looking ahead, the portfolio remains positioned toward companies with strong balance sheets, attractive growth profiles, and disciplined valuations, while maintaining broad industry diversification. Pembroke believes that a more favourable interest rate and inflation backdrop, alongside ongoing productivity gains and onshoring trends, may provide a supportive environment for U.S. equities. While market leadership has remained narrow in recent periods, conditions may become more conducive to a broader range of companies as the cycle evolves.

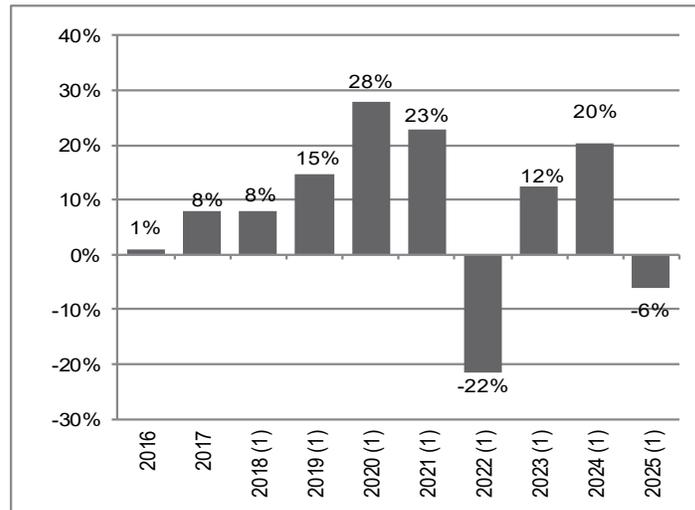
### Past Performance

The indicated rates of return are the historical annual compounded total return changes in share values and reinvestment of all distributions and do not take into account sales, redemptions, distributions or other optional charges that would have reduced returns. Mutual funds are not guaranteed, their values may increase or decrease, and past performance may not be repeated.

The Fund's performance numbers assume that all distributions are reinvested in additional shares of the Fund. If you hold this Fund outside of a registered plan, income and capital gains distributions that are paid to you increase your income for tax purposes, whether paid to you in cash or reinvested in additional shares. The amount of the reinvested taxable distributions is added to the adjusted cost base of the shares that you own. This would decrease your capital gains or increase your capital losses when you later redeem from the Fund, thereby ensuring that you are not taxed on this amount again. Please consult your tax advisor regarding your personal tax situation.

### Year-by-year returns

The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year. The percentage figures indicated have been rounded to the nearest whole number due to space constraints.



(1) Since January 1, 2018, management fees are charged directly to shareholders based on their assets under management and Fund performance is reported net of transaction costs and all other expenses, **excluding** management fees and applicable taxes. Prior to January 1, 2018, Fund performance was reported net of transaction costs and all other expenses, **including** management fees and applicable taxes. Refer to the Management Fees section for further details on this.

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### Past Performance (Cont'd)

#### Annual compound returns

The following table shows the Fund's annual compound total return for the periods shown ending on December 31, 2025. The annual compound total return is also compared to the Russell 2000 Total Return and to the S&P 500 Total Return Indices on the same compound basis.

All index returns are calculated in Canadian dollars on a total return basis.

December 31, 2025	1 yr	3 yr	5 yr	10 yr	Since inception <sup>(1)</sup>
Pembroke American Growth Fund Inc. <sup>(4)</sup>	(6.01)%	8.34%	4.16%	7.76%	10.39%
Russell 2000 Total Return Index <sup>(2)</sup>	7.45%	14.19%	7.67%	9.51%	N/A
S&P 500 Total Return Index <sup>(3)</sup>	12.28%	23.49%	16.12%	14.71%	11.17%

(1) Pembroke has served as the portfolio manager or the sub-advisor of the Fund since December 1968. The Fund has existed as an open-ended mutual fund corporation since October 1, 1988.

(2) The Russell 2000 Total Return Index is a measure of the performance of the small-cap segment of the US equity universe. The Russell 2000 Index is a subset of the Russell 3000® Index that includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

(3) The S&P 500 Total Return Index is a market capitalization-weighted index, composed of 500 widely held common stocks, including reinvestment of dividends, that is generally considered representative of the US stock market.

(4) Since January 1, 2018, management fees are charged directly to shareholders based on their assets under management and Fund performance is reported net of transaction costs and all other expenses, excluding management fees and applicable taxes. Prior to January 1, 2018, Fund performance was reported net of transaction costs and all other expenses, including management fees and applicable taxes. Refer to the Management Fees section for further details on this change.

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### Summary of Investment Portfolio

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. Updates are available quarterly.

Industry Sector	% of Net Asset Value
Industrials	30.01%
Information Technology	25.66%
Consumer Discretionary	16.25%
Health Care	11.24%
Financials	10.68%
Materials	0.95%
Cash	1.22%
Other Net Current Assets	3.99%
<b>Total</b>	<b>100.00%</b>

### Top 25 Holdings

Company	% of Net Asset Value	Industry Sector
1 Globus Medical	5.51%	Health Care
2 Resideo Technologies	4.65%	Industrials
3 Axos Financial	4.50%	Financials
4 Celebrite DI	4.38%	Information Technology
5 Monolithic Power Systems	4.33%	Information Technology
6 Core & Main	4.09%	Industrials
7 Pure Storage	3.79%	Information Technology
8 Workiva	3.77%	Information Technology
9 Installed Building Products	3.74%	Consumer Discretionary
10 AAON	3.71%	Industrials
11 Federal Signal	3.70%	Industrials
12 Dorman Products	3.41%	Consumer Discretionary
13 Bio-Techne	3.32%	Health Care
14 SiteOne Landscape Supply	3.23%	Industrials
15 Manhattan Associates	3.21%	Information Technology
16 Hagerty	2.73%	Financials
17 CRA International	2.68%	Industrials
18 Q2 Holdings	2.61%	Information Technology
19 Modine Manufacturing	2.52%	Industrials
20 Stevanato Group	2.41%	Health Care
21 Bowman Consulting Group	2.38%	Industrials
22 Red Violet	2.29%	Information Technology
23 Ollie's Bargain Outlet Holdings	2.20%	Consumer Discretionary
24 Ryan Specialty Holdings	1.81%	Financials
25 Chewy	1.77%	Consumer Discretionary
<b>Top 25 Holdings</b>	<b>82.74%</b>	

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## Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the financial years indicated. This information is derived from the Fund's audited annual financial statements. The information presented is based on prescribed regulations and, as a result, is not expected to sum due to the increase (decrease) in net assets attributable to holders of redeemable shares being based on the average shares outstanding during the year and all other numbers being based on the actual shares outstanding at the relevant point in time.

<b>THE FUND'S NET ASSETS PER SHARE</b>					
	December 31, 2025	December 31, 2024	December 31, 2023	December 31, 2022	December 31, 2021
<b>Net assets attributable to holders of redeemable shares, beginning of year <sup>(1)</sup></b>	65.20	54.16	48.20	61.45	50.01
<b>Increase (decrease) in net assets attributable to holders of redeemable shares:</b>					
Total revenue	0.24	0.26	0.27	0.23	0.17
Total expenses	(0.15)	(0.16)	(0.14)	(0.11)	(0.11)
Realized gains (losses) for the year	4.80	4.49	1.67	0.96	5.76
Unrealized gains (losses) for the year	(9.21)	6.36	4.16	(14.45)	5.64
<b>Total Increase (decrease) in net assets attributable to holders of redeemable shares <sup>(2)</sup></b>	<b>(4.32)</b>	<b>10.95</b>	<b>5.96</b>	<b>-13.37</b>	<b>11.46</b>
<b>Distributions to holders of redeemable shares:</b>					
From income and excluding dividends	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return on capital	-	-	-	-	-
<b>Total distributions to holders of redeemable shares <sup>(3)</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net assets attributable to holders of redeemable shares, end of year <sup>(4)</sup></b>	<b>61.30</b>	<b>65.20</b>	<b>54.16</b>	<b>48.20</b>	<b>61.45</b>

(1) This information is derived from the Fund's audited annual financial statements.

(2) Net assets and distributions are based on the actual number of

(3) Dividends were paid in cash and/or reinvested in additional shares of the Fund.

(4) This table is not intended to be a reconciliation of beginning to ending net assets per share.

## RATIOS AND SUPPLEMENTAL DATA (based on Trading NAV)

	December 31, 2025	December 31, 2024	December 31, 2023	December 31, 2022	December 31, 2021
Total net asset value (\$) (000's) <sup>(1)</sup>	184,681	222,389	209,968	200,629	264,018
Number of redeemable shares outstanding (000's) <sup>(1)</sup>	3,013	3,410	3,877	4,162	4,296
Management expense ratio (%) <sup>(2)</sup>	0.14	0.15	0.17	0.16	0.14
Management expense ratio before waivers or absorptions (%) <sup>(2)</sup>	0.14	0.15	0.17	0.16	0.14
Trading expense ratio (%) <sup>(3)</sup>	0.06	0.09	0.05	0.05	0.04
Portfolio turnover rate (%) <sup>(4)</sup>	32.83	37.89	22.23	24.59	29.01
Net asset value per shares (\$)	61.30	65.20	54.16	48.20	61.45

(1) This information is provided as at December 31 of the year shown.

(2) The management expense ratio ("MER") is calculated in accordance with National Instrument 81-106, based on expenses for the stated year (including Harmonized Sales Tax, Goods and Service Tax, income tax and interest) but excluding foreign withholding taxes, commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the year. PPW may, at its discretion and without notice to shareholders, waive or absorb certain operating expenses. The Fund did not have any expenses waived or absorbed in any of the years presented.

(3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the year.

(4) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor trades its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

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## PEMBROKE AMERICAN GROWTH FUND INC.

### Financial Highlights (Cont'd)

#### Management Fees

Management fees are charged directly to shareholders. Subject to the maximum fees set forth below, shareholders are charged management fees based on the assets under management of their PPW relationship. Such management fees are payable directly to PPW by the redemption (without charge) of a sufficient number of shares of the Fund held.

<b>Assets under management under \$5 million</b>		
<b>Name of the Fund</b>	<b>Assets under management</b>	
	<b>Under \$1 million</b>	<b>Between \$1 million and \$5 million</b>
Pembroke Money Market Fund	-	-
Pembroke Canadian Bond Fund	0.65%	0.50%
Pembroke Corporate Bond Fund	0.75%	0.60%
Pembroke Canadian Balanced Fund	1.30%	1.00%
Pembroke Global Balanced Fund	1.30%	1.00%
Pembroke Canadian All Cap Fund	1.50%	1.50%
Pembroke Canadian Growth Fund	1.70%	1.50%
Pembroke American Growth Fund Inc.	1.50%	1.50%
Pembroke International Growth Fund	1.50%	1.50%
Pembroke Concentrated Fund - Class A Units	1.50%	1.50%
Pembroke Dividend Growth Fund	1.50%	1.50%

<b>Assets under management above \$5 million</b>			
<b>Name of the Fund</b>	<b>Assets under management</b>		
	<b>First \$10 million</b>	<b>Next \$15 million</b>	<b>Above \$25 million</b>
Pembroke Money Market Fund	-	-	-
Pembroke Canadian Bond Fund	0.40%	0.40%	0.40%
Pembroke Corporate Bond Fund	0.50%	0.50%	0.50%
Pembroke Canadian Balanced Fund	0.75%	0.75%	0.65%
Pembroke Global Balanced Fund	0.75%	0.75%	0.65%
Pembroke Canadian All Cap Fund	1.00%	0.85%	0.75%
Pembroke Canadian Growth Fund	1.00%	0.85%	0.75%
Pembroke American Growth Fund Inc.	1.00%	0.85%	0.75%
Pembroke International Growth Fund	1.00%	0.85%	0.75%
Pembroke Concentrated Fund - Class A Units	1.00%	0.85%	0.75%
Pembroke Dividend Growth Fund	1.00%	0.85%	0.75%

Management fees paid directly by shareholders of the Fund to PPW through a redemption of shares was \$2.2 million for the year ended December 31, 2025.

Under the Pembroke Family Advantage Program, the value of family holdings of all family members designated by the investor will be considered to determine the management fee applicable to all family members. In order to benefit from the Pembroke Family Advantage Program, family members must be designated by the investor using the form prepared by PPW and must be approved by PPW prior to any management fee reduction being applicable. Management fees are determined based on the amount of assets under management with PPW and Pembroke.

All management fees were used by the Manager to pay costs for managing the investment portfolio, providing investment analysis and recommendations, making investment decisions, and providing other services. For the year ended December 31, 2025, none of the management fees received by the Manager were used to fund commission payments and other dealer compensation (collectively "distribution-related costs") paid to registered dealers and brokers for shares of the Fund bought and held by investors.

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## PEMBROKE AMERICAN GROWTH FUND INC.

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### **Caution Regarding Forward-looking Statements**

This document may contain forward-looking statements relating to anticipated future events, results, circumstances, performance or expectations that are not historical facts but instead represent our beliefs regarding future events. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. We caution readers of this document not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking statements. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including, but not limited to, market and general economic conditions, interest rates, regulatory and statutory developments and the effects of competition in the geographic and business areas in which the Fund may invest. We caution that the foregoing list of factors is not exhaustive and that when relying on forward-looking statements to make decisions with respect to investing in the Fund, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Further, it should be noted that the Fund has no specific intention of updating any forward-looking statements whether as a result of new information, future events or otherwise, prior to the release of the next Management Report of Fund Performance.

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Pembroke Private Wealth Management Ltd. is a mutual fund dealer and manager of the Pembroke Funds.  
Pembroke Management Ltd. is an investment adviser.

Custodial service provided by RBC Investor & Treasury Services  
Shareholder Recordkeeping provided by RBC Investor & Treasury Services  
Annual audit performed by Deloitte LLP.