

# PEMBROKE

PRIVATE WEALTH MANAGEMENT

PEMBROKE DIVIDEND GROWTH FUND

## ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE DECEMBER 31, 2023

INCEPTION DATE  
JANUARY 1, 2012

THE PORTFOLIO MANAGEMENT TEAM  
PEMBROKE MANAGEMENT LTD.

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). Unitholders 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.

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**Investment Objective and Strategies**

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Pembroke Dividend Growth Fund (the “Fund”) seeks to provide long-term growth combined with current dividend income by investing primarily in shares of small and mid-cap Canadian, publicly listed issuers that pay a regular dividend. The Fund may invest in equity securities of small, medium and large capitalization companies with an emphasis on small and mid-sized companies. The strategy aims to identify investment opportunities in companies that have both growth potential while exhibiting the financial ability to support the payment of a regular dividend. The Fund will look to invest primarily in Canadian-listed securities but may invest up to a maximum of 30% of the Fund into American publicly listed issuers traded on a recognised exchange in the United States.

**Risk**

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The overall risk of the Fund is as described in the Simplified Prospectus. There were no material changes to the Fund over the financial period that affected the overall level of risk associated with an investment in the Fund. The Fund is suitable for investors who have a medium tolerance for risk and are seeking long-term capital growth.

**Results of Operations**

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From January 1, 2012 until May 9, 2023, units of the Fund were distributed pursuant to an exemption from the prospectus requirement (i.e. “Pooled Fund”). On May 9, 2023, the Fund was converted from a pooled fund to a mutual fund.

For the year ended December 31, 2023, the Fund posted a return of 17.75%. In comparison, the Fund’s benchmark index, the S&P/TSX Composite Total Return posted a return of 11.75% for the same period. For the year ended December 31, 2022, the Fund posted a return of -3.33% compared to the Fund’s benchmark which posted a -5.84% return.

On a relative basis, the Fund’s outperformance of the benchmark was driven primarily by the strong returns of the equity portion of the portfolio, though the returns of its fixed income investments also exceeded those of its benchmark counterparts.

The Fund’s returns were broad based driven by a number of holdings performing well during the year and a particular absence from any meaningful detractors - the risk management overview of the portfolio helped to mitigate those holdings who fundamentally disappointed. While inflationary pressures and rising short-term interest rates remained prevalent in the economy throughout the year, these influenced investors’ sentiment more than anything else as earnings were able to grow at a decent level for most of the holdings. As inflation began declining and investors increasingly anticipated potential interest rate cuts in 2024, equity valuation multiples expanded heading into the latter part of the year.

The Fund’s equity holdings has a current annualized gross yield of 3.61%.

Two stocks were significant contributors to performance in 2023. Shares in Hammond Power Solutions (“HPS.A”), a leading supplier of dry-type transformers in North America supporting diversified end markets, rallied significantly in the year as the company posted strong revenue growth, impressive profitability, and robust backlog levels. The company is benefiting from increasing electrification of the economy, driven by the implementation of decarbonization policies aimed to address climate change. Moreover, the company is winning market share with North American distributors by offering superior service, engineering, and product availability. HPS.A shares remain attractively valued despite the rally in 2023, and still sport a well-funded dividend to augment an attractive growth profile. Shares in goeasy (GSY), a leading non-prime consumer lender in Canada, enjoyed strong returns in 2023 as the market rewarded robust financial performance that fueled higher-than-expected loan growth, lower-than-expected credit losses, and impressive operating leverage. The tightening of credit standards by the major banks has led to increased demand and higher quality borrowers for GSY. In the longer term, Pembroke expects GSY to continue to benefit from further market share gains and penetration into newer products, improving credit quality, reduced competition and operating leverage. Despite the strong run in the shares, the stock is still not expensive relative to its short and long-term earnings potential.

Two stocks were significant detractors to performance in 2023. Shares in Topaz Energy (TPZ), a royalty and energy infrastructure company with a diversified portfolio of assets in Western Canada, fell in the fourth quarter, in line with weakening energy prices. While lower commodity prices will reduce the company’s energy production cash flow generation in the short term, the company’s dividend remains well funded through its infrastructure assets. In addition, TPZ’s management team has a proven track record of deploying capital counter-cyclically. The company has a balance sheet with sufficient flexibility to make opportunistic acquisitions. Pembroke believes TPZ’s shares are attractively valued given the company’s growth trajectory and dividend policy. Shares in Vecima Networks (VCM) lagged the broader market rally in the fourth quarter. VCM is a provider of integrated hardware, software and services platforms that enable broadband access and digital content delivery for cable and telecommunications customers. Key customers are expected to be working through bottlenecks in their infrastructure deployments, resulting in a near-term plateau in revenue levels. While this fluctuation in customer activity is a short-term setback, Pembroke remains very optimistic about VCM’s longer-term growth prospects. Cable and telecom companies are racing to provide consumers with competitive broadband upload and

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

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download speeds, and VCM is an “arms merchant” in this battle for market share. Pembroke believes that the network investments required to modernise cable and telco infrastructure for an increasingly data-intensive world will drive a demand profile that is significant in both magnitude and duration.

As at December 31, 2023, the total net asset value of the Fund was \$150.2 million as compared to \$130.6 million as at December 31, 2022. The cash position was 7.86% of net asset value. The number of units outstanding in the Fund as at December 31, 2023 was 7 million compared with 6.6 million as at December 31, 2022.

Unrealized appreciation on investments as at December 31, 2023 was \$25.2 million as compared to \$14.6 million as at December 31, 2022 resulting in an increase in unrealized appreciation on investments of \$10.6 million. The Fund had net realized gains on investments sold during the period of \$7.5 million.

**Fees and Expenses**

During the year, the Fund paid a total of \$0.2 million in operating expenses. The management expense ratio (“MER”) for unitholders was 0.06%. There are no management fees charged to the Fund as the management fees are charged directly to the unitholders outside the Fund. Refer to the Management Fees section for further details on this.

The Fund was previously a Pooled Fund and the MER did not account for various fund expenses that will now be incurred as a mutual fund. For the period the Fund was a pooled fund, the expenses would have been higher if the Fund was a prospectus mutual fund.

**Unitholder Activity**

Throughout the year, \$19.8 million flowed into the Fund by way of subscriptions and \$12 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. 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.

**Recent Developments**

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**Outlook**

Inflationary pressures remain front of mind for yield-conscious equity investors. As these pressures ebb, interest rates should step downwards and offer valuation support to the capital markets. While Pembroke believes the environment will be conducive to the expansion of valuation multiples, tepid economic growth and lingering inflation will be a headwind to corporate earnings, interest coverage, and dividend distributions. Nonetheless, Pembroke continues to identify companies with agile business models and management teams that can adjust to uncertainty and grow throughout a business cycle.

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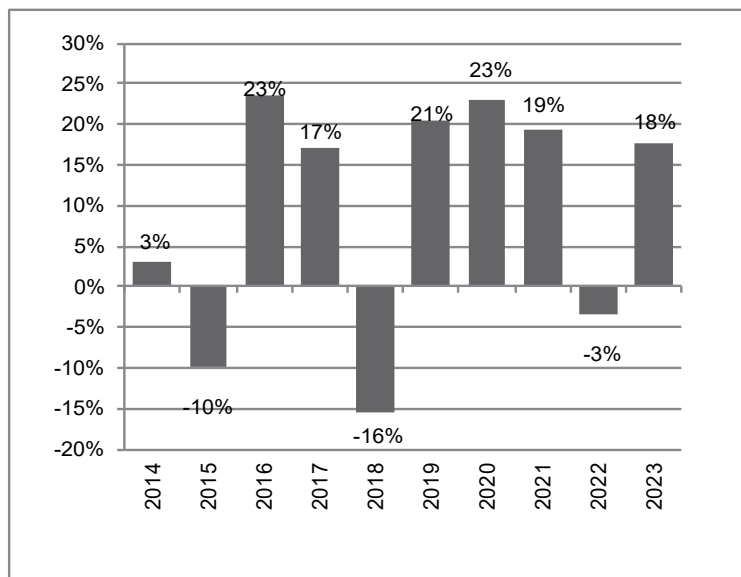
**Past Performance**

The indicated rates of return are the historical annual compounded total return changes in unit 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 have been prepared under the assumption that all distributions are reinvested in additional units 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 units. The amount of the reinvested taxable distributions is added to the adjusted cost base of the units 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.



**Annual compound returns**

The following table shows the Fund's annual compound total return for the periods shown ending on December 31, 2023. The annual compound total return is also compared to the S&P/TSX Composite Total Return and to the S&P/TSX Completion Total Return Indices on the same compound basis.

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

December 31, 2023	1 yr	3 yr	5 yr	10 yr	Since inception
Pembroke Dividend Growth Fund	17.75%	10.78%	15.06%	8.64%	11.50%
S&P/TSX Composite Total Return Index <sup>(1)</sup>	11.75%	9.59%	11.30%	7.62%	8.02%
S&P/TSX Completion Total Return Index <sup>(2)</sup>	10.44%	6.71%	10.18%	5.68%	10.75%

(1) The S&P/TSX Composite Total Return Index is a capitalization-weighted index that represents some of the largest float-adjusted stocks trading on the Toronto Stock Exchange: Company size and liquidity are the chief attributes determining membership.

(2) The S&P/TSX Completion Total Return Index is comprised of the constituents of the S&P/TSX Composite Index that are not included in the S&P/TSX 60 Index. The index was formally the S&P/TSX MidCap Index. This index tends to have midcap and smaller companies included in it.

## PEMBROKE DIVIDEND GROWTH FUND

**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
Financials	33.88%
Industrials	19.01%
Consumer Discretionary	4.00%
Information Technology	10.27%
Energy	5.58%
Real Estate	5.64%
Materials	4.71%
Consumer Staples	4.98%
Communication Services	2.13%
Government of Canada Treasury Bills	1.58%
Cash	7.86%
Other Net Current Assets	0.36%
<b>Total</b>	<b>100.00%</b>

**Top 25 Holdings**

Company	% of Net Asset Value	Industry Sector
1 Watsco	4.19%	Industrials
2 Sleep Country Canada	4.00%	Consumer Discretionary
3 Alaris Equity Partners Income	3.97%	Financials
4 Guardian Capital Group - Class A	3.73%	Financials
5 Jamieson Wellness	3.69%	Consumer Staples
6 goeasy	3.66%	Financials
7 Evertz Technologies	3.54%	Information Technology
8 TMX Group	3.18%	Financials
9 Tricon Residential	3.18%	Real Estate
10 Mullen	3.07%	Industrials
11 AGF Management	3.05%	Financials
12 Dexterra	2.96%	Industrials
13 Topaz Energy	2.95%	Energy
14 Hammond Power Solutions	2.65%	Industrials
15 Parex Resources	2.62%	Energy
16 Finning International	2.62%	Industrials
17 Intact Financial	2.55%	Financials
18 Richards Packaging Income Fund	2.55%	Materials
19 Calian	2.53%	Industrials
20 EQB Inc.	2.51%	Financials
21 Fairfax Financial Holdings	2.46%	Financials
22 Information Services	2.45%	Real Estate
23 Canadian Western Bank	2.44%	Financials
24 Computer Modelling Group	2.32%	Information Technology
25 Softchoice	2.27%	Information Technology
<b>Top 25 Holdings</b>	<b>75.14%</b>	

## PEMBROKE DIVIDEND GROWTH FUND

**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 add up due to the increase (decrease) in net assets attributable to holders of redeemable units being based on the average units outstanding during the year and all other numbers being based on the actual units outstanding at the relevant point in time.

<b>THE FUND'S NET ASSETS PER UNIT</b>					
	December 31, 2023	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019
<b>Net assets attributable to holders of redeemable units, beginning of period <sup>(1)</sup></b>	19.72	21.06	19.72	16.45	14.10
<b>Increase (decrease) in net assets attributable to holders of redeemable units:</b>					
Total revenue	0.74	0.64	0.71	0.40	0.52
Total expenses	(0.04)	(0.03)	(0.01)	(0.04)	(0.01)
Realized gains (losses) for the period	1.14	(0.03)	3.79	1.03	(0.24)
Unrealized gains (losses) for the period	1.61	(1.29)	(0.73)	1.73	2.64
<b>Total Increase (decrease) in net assets attributable to holders of redeemable units <sup>(2)</sup></b>	<b>3.45</b>	<b>(0.71)</b>	<b>3.76</b>	<b>3.12</b>	<b>2.91</b>
<b>Distributions to holders of redeemable units:</b>					
From income (excluding dividends)	(0.10)	(0.05)	(0.03)	(0.03)	(0.08)
From dividends	(0.60)	(0.54)	(0.59)	(0.38)	(0.44)
From capital gains	(0.95)	-	(1.82)	-	-
Return on capital	-	-	-	-	-
<b>Total distributions to holders of redeemable units <sup>(3)</sup></b>	<b>(1.65)</b>	<b>(0.59)</b>	<b>(2.44)</b>	<b>(0.41)</b>	<b>(0.52)</b>
<b>Net assets attributable to holders of redeemable units, end of period <sup>(4)</sup></b>	<b>21.49</b>	<b>19.72</b>	<b>21.06</b>	<b>19.72</b>	<b>16.45</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 units outstanding at the relevant time. The increase (decrease) in net assets attributable to holder's of redeemable units is based on the weighted average number of units outstanding over the financial year.

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

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

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

	December 31, 2023	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019
Total net asset value (\$) (000's) <sup>(1)</sup>	150,180	130,574	133,778	104,072	104,742
Number of redeemable units outstanding (000's) <sup>(1)</sup>	6,988	6,622	6,352	5,277	6,367
Management expense ratio (%) <sup>(2)</sup>	0.06	0.06	0.06	0.07	0.07
Management expense ratio before waivers or absorptions (%) <sup>(2)</sup>	0.06	0.06	0.06	0.07	0.07
Trading expense ratio (%) <sup>(3)</sup>	0.10	0.12	0.13	0.18	0.13
Portfolio turnover rate (%) <sup>(4)</sup>	30.23	37.97	42.58	47.52	29.95
Net asset value per unit (\$)	21.49	19.72	21.06	19.72	16.45

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

(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 unitholders, waive or absorb certain operating expenses. The Fund has had expenses waived or absorbed for all the years presented. The waiver or absorption of operating expenses is expected to continue for an indefinite year of time and can be terminated by PPW at its discretion and without prior notice.

(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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**Financial Highlights (Cont'd)****Management Fees**

Management fees are charged directly to unitholders. Subject to the maximum fees set forth below, unitholders 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 units 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 <sup>1</sup>	-	-
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%

<sup>1</sup> Management fee rate was reduced from 0.10% to nil as of November 1, 2020

<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 <sup>1</sup>	-	-	-
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%

<sup>1</sup> Management fee rate was reduced from 0.10% to nil as of November 1, 2020

Management fees paid directly by unitholders of the Fund to PPW through a redemption of units was \$1.5 million for the year ended December 31, 2023.

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, 2023, 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 units of the Fund bought and held by investors.

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

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**Caution Regarding Forward-looking Statements**

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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.

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

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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  
Unitholder Recordkeeping provided by RBC Investor & Treasury Services  
Annual audit performed by Deloitte LLP.