

# PEMBROKE

PRIVATE WEALTH MANAGEMENT

## PEMBROKE INTERNATIONAL GROWTH FUND

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

INCEPTION DATE  
OCTOBER 31, 1989

THE PORTFOLIO MANAGEMENT TEAM  
WILLIAM BLAIR INVESTMENT MANAGEMENT, L.L.C.

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.

# P E M B R O K E

## PEMBROKE INTERNATIONAL GROWTH FUND

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### **Investment Objective and Strategies**

Pembroke International Growth Fund (the "Fund") seeks to provide investors with long-term growth through capital appreciation by investing primarily in a diversified portfolio of small to mid-sized foreign companies located outside of the United States. The investment analysis for the Fund is based on three levels of decisions. The first involves the decision to underweight or overweight certain regions or countries of the world. The second involves the currency allocation of the Fund. The third involves sector and security level analysis of the Fund. The objective of this three-level decision making approach is to combine the benefits of top-down analysis with that of a detailed bottom-up security selection. This involves evaluating the financial condition and management of a company and its industry, as well as the health of the overall economy.

### **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 tolerance for risk and are seeking long-term capital growth. The Fund holds non-Canadian assets and as a result is exposed to currency risk. It is not the Fund's policy to hedge currency exposure as the Manager does not believe that hedging will add value in the long term. William Blair Investment Management, L.L.C. ("William Blair") is the investment manager of the Fund.

### **Results of Operations**

For the year ended December 31, 2023, the Fund posted a return of 13.73%. In comparison, the Fund's benchmark index, Morgan Stanley Capital International All Country World Index ex USA Small Cap Net Withholding Tax posted a 12.56% return. For the year ended December 31, 2022, the Fund posted a return of -27.69% compared to the Fund's benchmark which posted a -14.16% return.

The Pembroke International Growth Fund outperformed the MSCI ACWI ex-US Small Cap Index in 2023 helped by strong performance in the first half and the fourth quarter of the calendar year. From an attribution perspective, favorable positioning across most sectors and strong stock selection within the Real Estate sector drove outperformance. An overweight allocation to the Information Technology was notably helpful.

Within Information Technology, an overweight allocation to and positive stock selection was bolstered by BE Semiconductor ("BESI"). BESI is a leading assembly equipment supplier with a focus on die attach, packaging and plating equipment. BESI has 25 years of experience and is the market leader in advanced packaging equipment (32% market share) that is sold to IDMs (61% of 2019 revenues) and subcontractors (39% of 2019 revenues) to manufacture semiconductor chips. The company is highly diversified with its top 10 customers accounting for 44% of 2019 revenues. BESI should sustain market leadership in advanced packaging through the medium-to-long term. The share price strengthened after the company reported solid Q3 results fueling optimism around hybrid bonding systems — an emerging tool used to connect chips. The company said it received new orders for such systems in past and current quarters and anticipates more bookings to come.

Underweight allocation and positive stock selection within the Real Estate sector was also beneficial. Within Real Estate, Corp Inmobiliaria Vesta SAB de CV ("Vesta"), a full-service real estate company that develops and leases industrial facilities and distribution centers in Mexico was positive for performance. The company's expertise is in designing and constructing build-to-suit (BTS) and park-to-suit (PTS) projects, as well as traditional inventory buildings, across a variety of industries within manufacturing and logistics. Ongoing nearshoring trends and e-commerce penetration in Mexico are driving strong demand for industrial real estate. Recently William Blair has seen a shift in that trend, especially post-covid as companies continue to recalibrate their supply chains; they can observe that by looking at the references to near-shoring in company reports. Vesta's full-service business model (acquisition, construction, maintenance), structural advantage as a C-corp, strong balance sheet (<35% LTV, 100% fixed rate debt), and quality customer base make it a high-quality company for exposure to the industrial real estate market in Mexico.

Partially offsetting outperformance was weaker stock selection within the Consumer Discretionary sector primarily due to Ariston. Ariston is an Italian-based thermal comfort seller. The company has a comprehensive portfolio of renewable and high efficiency comfort solutions such as hot water heaters, heating systems/equipment and burners and components. Ariston operates in a fragmented global market. Given the relatively low manufacturing footprint, distribution is the key barrier to entry alongside brands that customers trust. The share price declined on softer Q2 results as weaker demand in Italy and lower visibility into 4Q led management to lower its FY23 growth guidance. Weaker stock selection within Financials was primarily due to Beazley. Beazley is a well-managed specialty insurer with a long-term history of shareholder value creation. This has been driven by its attractive mix of business, conservative reserving practices, above average investment gearing and an active approach to capital management. The share price declined on softer 3Q23 results, specifically after the company confirmed that its growth opportunities in 2024 appear to be slower than anticipated.

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

At December 31, 2023 the total net asset value of the Fund was \$164.3 million as compared to \$175.3 million at December 31, 2022. The cash position was 2.17% of net asset value. The number of units outstanding in the Fund as at December 31, 2023 was 5.9 million compared with 7 million as at December 31, 2022.

Unrealized appreciation on investments at December 31, 2023 was \$22.9 million as compared to -\$0.8 million at December 31, 2022 resulting in an increase in unrealized appreciation on investments of \$23.7 million. The Fund had net realized losses on investments sold during the year of \$3.7 million.

### **Fees and Expenses**

During the year, the Fund paid a total of \$0.5 million in operating expenses. The management expense ratio ("MER") for unitholders was 0.2%. There are no management fees charged to the Fund since January 1, 2018 as the management fees are charged directly to the unitholders outside the Fund. Refer to the Management Fees section for further details on this.

### **Unitholder Activity**

Throughout the year, \$6.8 million flowed into the Fund by way of subscriptions and \$37.2 million flowed out of the Fund as a result of redemptions.

### **Related Party Transactions**

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**

#### ***Outlook***

Albeit far from smooth, global markets surpassed expectations in 2023. Growth equities rebounded during the year, led primarily by strength in technology and communication services. While markets were highly reactive to inflationary data and central banks' tone on monetary policy, 2024 is shaping up to be a "normal" expansionary year. Importantly, 2024 may prove to be the very first post-COVID year, with healthy economic growth and inflation as the economic distortions from the pandemic have normalized. Pembroke expects a continuation of broad growth particularly from the U.S., a bit less in Europe, and potential for accelerated strength in Japan.

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### **Past Performance**

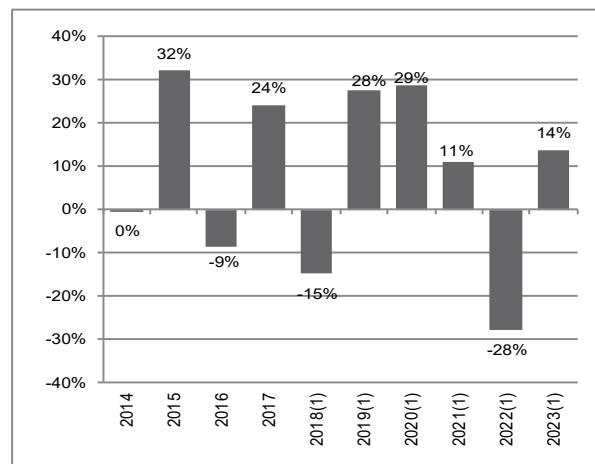
The indicated rates of return are the historical annual compounded total return changes in unit values and reinvestment of all distributions and do not take into account sales, redemptions, distributions or other optional charges that would have reduced returns. Mutual funds are not guaranteed, their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

The Fund's performance numbers assume 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.

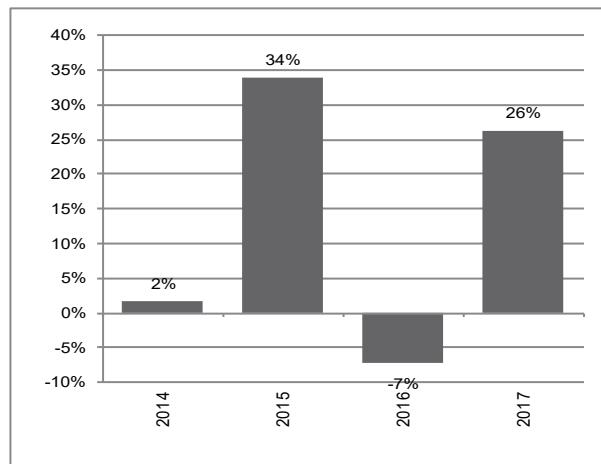
#### **Year-by-year returns**

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.

**Class A**



**Class O<sup>(2)</sup>**



(1) Since January 1, 2018, management fees are charged directly to unitholders 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, 2019, 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.

(2) Since January 31, 2018 there is no performance data for Class O units as the units ceased to be distributed.

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**Past Performance (Cont'd)**

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**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 Morgan Stanley Capital International All Country World Index ex USA Small Cap Net Withholding Tax on the same compound basis.

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

December 31, 2023	1 yr <sup>(2)(3)</sup>	3 yr	5 yr	10 yr	Since inception
Pembroke International Growth Fund - Class A	13.73%	-2.94%	8.47%	6.71%	5.22%
Pembroke International Growth Fund - Class O	N/A	N/A	N/A	12.96%	7.30%
MSCI ACWI ex USA net w-tax <sup>(1)</sup>	12.56%	2.66%	7.13%	7.17%	N/A

(1) The Morgan Stanley Capital International All Country World ex USA index is a free float-adjusted market capitalization index designed to measure global developed and emerging market small capitalization equity performance, excluding the United States of America and net of withholding taxes.  
(2) Since January 1, 2018, management fees are charged directly to unitholders 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.  
(3) Since January 31, 2018 there is no performance data for Class O units as the units ceased to be distributed.

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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.

<b>Industry Sector</b>	<b>% of Net Asset Value</b>
Industrials	32.18%
Information Technology	21.44%
Financials	12.99%
Consumer Discretionary	12.07%
Consumer Staples	9.11%
Health Care	4.98%
Communication Services	2.63%
Real Estate	2.05%
Materials	0.74%
Cash	2.17%
Other Net Current Assets	-0.36%
<b>Total</b>	<b>100.00%</b>

<b>Country allocation</b>	<b>% of Net Asset Value</b>	<b>Country allocation (cont.)</b>	<b>% of Net Asset Value</b>
Japan	17.73%	Finland	1.11%
India	10.24%	South Africa	1.07%
Sweden	9.69%	Caymen Islands	1.05%
United Kingdom	8.96%	Greece	1.05%
Mexico	7.91%	Poland	0.95%
Taiwan	4.93%	China	0.88%
Australia	4.08%	Norway	0.71%
Germany	3.79%	Bermuda	0.67%
Italy	3.77%	Indonesia	0.52%
France	3.69%	Thailand	0.49%
Netherlands	3.46%	Singapore	0.32%
Switzerland	3.44%	Jersey	0.25%
Brazil	3.34%	Cash	2.17%
New Zealand	2.76%	Other Net Current Assets	-0.36%
Belgium	1.33%		
		<b>Total</b>	<b>100.00%</b>

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**Summary of Investment Portfolio (Cont'd)**

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**Top 25 Holdings**

Company	% of Net Asset Value	Country
1 BE Semiconductor Industries	2.19%	Netherlands
2 Polycab India	1.81%	India
3 Diploma	1.71%	United Kingdom
4 TechnoPro Holdings	1.70%	Japan
5 Siltronic	1.69%	Germany
6 Varun Beverages	1.68%	India
7 Dassault Aviation	1.58%	France
8 Beazley	1.57%	United Kingdom
9 Pro Medicus	1.57%	Australia
10 Meitec	1.52%	Japan
11 Grupo Aeroportuario del Centro Norte	1.52%	Mexico
12 Kardex Holding	1.50%	Switzerland
13 Auckland International Airport	1.48%	New Zealand
14 AU Small Finance Bank	1.47%	India
15 Japan Elevator Service Holdings	1.46%	Japan
16 SMS	1.43%	Japan
17 CTS Eventim	1.41%	Germany
18 Rotork	1.41%	United Kingdom
19 Steadfast Group	1.39%	Australia
20 Grupo Comercial Chedraui SA de CV	1.38%	Mexico
21 Brunello Cucinelli	1.30%	Italy
22 Regional	1.29%	Mexico
23 Mainfreight	1.28%	New Zealand
24 SHIFT	1.26%	Japan
25 AddTech	1.24%	Sweden
<b>Top 25 Holdings</b>	<b>37.84%</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 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>		<b>CLASS A</b>			
		<b>December 31, 2023</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>Net assets attributable to holders of redeemable units, beginning of year<sup>(1)</sup></b>		24.98	35.37	36.92	29.42
<b>Increase (decrease) in net assets attributable to holders of redeemable units:</b>					
Total revenue		0.48	0.62	0.28	0.35
Total expenses		(0.08)	(0.07)	(0.03)	(0.08)
Realized gains (losses) for the year		(0.64)	(3.39)	5.61	3.37
Unrealized gains (losses) for the year		3.77	(7.08)	(1.72)	4.45
<b>Total Increase (decrease) in net assets attributable to holders of redeemable units<sup>(2)</sup></b>		<b>3.53</b>	<b>(9.92)</b>	<b>4.14</b>	<b>8.09</b>
<b>Distributions to holders of redeemable units:</b>					
From income (excluding dividends)		-	-	-	-
From dividends		(0.48)	(0.60)	(0.22)	(0.34)
From capital gains		-	-	(5.30)	(0.56)
Return on capital		-	-	-	-
<b>Total distributions to holders of redeemable units<sup>(3)</sup></b>		<b>(0.48)</b>	<b>(0.60)</b>	<b>(5.52)</b>	<b>(0.90)</b>
<b>Net assets attributable to holders of redeemable units, end of year<sup>(4)</sup></b>		<b>27.93</b>	<b>24.98</b>	<b>35.37</b>	<b>36.92</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 redeembale 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.

(5) Class O units of the Fund were converted to Class A units on January 31, 2018.

<b>RATIOS AND SUPPLEMENTAL DATA (based on Trading NAV)</b>		<b>CLASS A</b>			
		<b>December 31, 2023</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>Total net asset value (\$)(000's)<sup>(1)</sup></b>		164,303	175,281	252,777	219,301
<b>Number of redeemable units outstanding (000's)<sup>(1)</sup></b>		5,883	7,017	7,147	5,941
<b>Management expense ratio (%)<sup>(2)</sup></b>		0.20	0.17	0.13	0.16
<b>Management expense ratio before waivers or absorptions (%)<sup>(2)</sup></b>		0.20	0.17	0.13	0.16
<b>Trading expense ratio (%)<sup>(3)</sup></b>		0.10	0.15	0.13	0.15
<b>Portfolio turnover rate (%)<sup>(4)</sup></b>		39.63	58.66	56.33	63.92
<b>Net asset value per unit (\$)</b>		27.93	24.98	35.37	36.92

(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 unitholders, 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.

(5) Class O units of the Fund were converted to Class A units on January 31, 2018.

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### **Financial Highlights (Cont'd)**

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#### **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.

Name of the Fund	Assets under management under \$5 million	
	Assets under management	
	Under \$1 million	Between \$1 million and \$5 million
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

Name of the Fund	Assets under management above \$5 million		
	Assets under management		
	First \$10 million	Next \$15 million	Above \$25 million
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 \$2 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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**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.

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PRIVATE WEALTH MANAGEMENT

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Pembroke Private Wealth Management Ltd. is a mutual fund dealer and manager of the Pembroke Funds.  
William Blair Investment Management, L.L.C. 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.