

Q1 2026 Report

General Comments

- We hosted Annual General Meetings in Toronto and Montreal in late January. A recording of the Toronto meeting is available [here](#).
- The U.S. Supreme Court ruled against Trump's tariffs in mid-February. Continuing uncertainty over U.S. tariff policy appears to be the new normal. As we wrote last year, our portfolio has minimal direct exposure to tariffs, but the secondary impact of tariffs harming the U.S. economy is real.
- The United States and Israel launched coordinated extensive airstrikes against Iran on February 28, which have swiftly expanded into a multi-nation war in the Middle East. Oil and gasoline prices have moved sharply higher increasing concerns about a drawn-out campaign, inflation risk and potential impacts on global growth.
- The S&P 400 MidCap index was up 4.2%, while the S&P TSX Completion Index (Mid and Small Cap) was up 7.4%.¹
- The potential impact of Artificial Intelligence (AI) on various industries roiled the market in a succession of waves. The biggest impact was on the shares of enterprise software companies, but many other sectors were hit including financial services, commercial real estate, entertainment, engineering, cybersecurity, etc. For a time, every week seemed to bring another sector that investors thought was going to be flattened by AI. We plan to release a 'thought piece' soon that will address the likely impact of AI on our holdings.
- Investment team members attended a number of conferences over the last three months, including Raymond James' 47th Annual Institutional Investors Conference in Orlando featuring presentations from senior management teams of approximately 300 companies, as well as the Wolfe Research FinTech Forum in New York City focused on payments and bank technology. Much of the discussion and debate at these conferences was focused on AI.

Company Comments & Portfolio Activityⁱ

- Celanese was an outsized positive contributor to returns for the quarter, while Premium Brands and Colliers were larger detractors (see comments on all three below); otherwise, the number of positive and negative contributors were roughly equal. Our rebalancing activity was elevated in response to higher market volatility and the thematic AI trades that ran through the market.

i. Company Comments & Portfolio Activity relate to our flagship fund, Turtle Creek Equity Fund ("TCEF"). Other funds managed by TCAM include Turtle Creek Investment Fund ("TCIF"), Turtle Creek Canadian Equity Fund ("TCCF"), Turtle Creek United States Equity Fund ("TCUS") and Turtle Creek Synthetic Private Equity Fund ("SPEF"). These funds may hold some or all of our flagship fund's holdings and the weighting of these companies may differ substantially as compared to our flagship fund.

- Fourth quarter earnings were largely positive: over 40% of the portfolio exceeded expectations, approximately 40% reported in-line results and fewer than 20% missed. A number of companies disclosed meaningful share buybacks; for example, Bread Financial bought back a further 4% of outstanding shares in the quarter (12.5% for the year).
- **Celanese**, a global specialty chemical and materials company, was the largest miss, reporting weaker-than-expected EBITDA and EPS results, but continued to generate significant free cash flow. In the current environment of higher global feedstock costs, such as natural gas, they are at a significant competitive advantage as they disproportionately consume low-cost U.S. natural gas in their production processes.
- **Premium Brands**, a specialty food business focused on high quality food made with clean ingredients, is the largest holding in TCEF (as well as TCIF, TCCF and SPEF). In March, they reported in-line quarterly results. To quote CEO George Paleologou: “2025 was a transformative year for our business. It included the commissioning of several new plants and capacity expansions, the execution of the largest product launch in our history and continued strong financial performance. All of this was achieved in a volatile environment with record high beef costs, broader commodity inflation, and a challenging consumer backdrop.” The market, in the short term, appears to be missing the forest for the trees. The company is trading at its lowest earnings multiple in its history with very high forecast earnings growth. The stock was down 20% in the quarter and we have been buyers on this weakness.
- **Colliers International** operates three divisions – Commercial Real Estate, Engineering and Investment Management – and all three industries were roiled by AI concerns at points in the quarter. We think those concerns are misplaced and simplistic. The company is expecting mid-teens EPS growth this year and we expect to see at least that in the years that follow. With the share price down 30% in the quarter, and with our view of the company unchanged, we have purchased more shares such that it is a top five holding for the first time. Jay Hennick, Collier’s founder and CEO, was also adding to his investment during the quarter, purchasing \$16 million worth of stock on behalf of his family foundation. Near the end of the quarter they announced a significant acquisition of a European engineering company, providing a platform for their ‘bolt-on’ acquisition strategy in the EMEA region.
- **ATS**, which engineers automated manufacturing solutions, welcomed a new CEO during the quarter. In mid-2025, the previous CEO was recruited to a much larger company in an unrelated industry with a commensurately larger pay package. He did a terrific job in his eight years at ATS and we knew there was always a risk of him being ‘headhunted’. The board did an excellent job hiring him eight years ago and they believe they have done it again with the new CEO. It’s early days, but in our initial interactions we have been impressed.
- **Ingersoll-Rand**, a global diversified industrial company, reported a book to bill ratio above one for the first full year since 2022, and has now seen positive organic order growth in three of the past four quarters. The company’s tone is optimistic looking forward, which is consistent with what we are hearing from our other industrial companies. We have now been in an industrial recession for over three years, one of the longest on record. Recessions don’t last forever but the length of this one has surprised us.

- Two new companies were added to the TCEF portfolio during the quarter, and one removed, to finish the quarter at 30 holdings:
 - **Medpace Holdings** is a global clinical contract research organization (CRO) with a highly differentiated strategy. The company focuses on small and mid-sized biopharma companies with a full-service offering, while its public CRO peers mainly focus on Big Pharma with lower margin, functional service work. Medpace partners with the biotech company, guiding them through the complexities of human trials and ultimate commercialization. Medpace's clinician led, high-science model utilizes full time MDs and PhDs to develop deeper therapeutic expertise in complex areas. It is founder run and has a history of high growth and significant cash flow generation. Their approach to capital allocation is also special – they are very opportunistic in their share repurchases. When their share price is high, they amass cash – and when their share price is low, they deploy it, even drawing on their line of credit at times. Last year, they repurchased just under 10% of their outstanding shares.
 - **Pennant Group** provides home health care and hospice services in the United States and was 'spun' out of The Ensign Group six years ago. Ensign is the largest and leading skilled nursing facilities operator in the United States, and we added Ensign to the portfolio a year ago. Our work on Ensign led us to Pennant. Like Ensign, the company has a highly decentralized, "locally-led" operating model. Rather than relying on a rigid top-down corporate structure, Pennant empowers local clinical and operational leaders to make decisions tailored to the specific needs of their respective communities. This approach fosters entrepreneurship, accountability, and a strong focus on delivering high-quality patient care.
 - Both companies are high growth industry leaders and are great examples of our ongoing process of upgrading the portfolio, as we described in detail in our 2025 Annual Letter, available [here](#).

Fund Performance & Characteristics²

Fund	Q1 Return	YTD Return	YTD Change in Portfolio Business Value	Number of Holdings	Top 10 Holdings
Turtle Creek Equity Fund	-4.8%	-4.8%	+1%	30	54%
Turtle Creek Investment Fund	-4.4%	-4.4%	0%	30	54%
Turtle Creek Canadian Equity Fund	-8.5%	-8.5%	+1%	21	84%
Turtle Creek United States Equity Fund (USD)	-5.8%	-5.8%	-3%	28	54%
Turtle Creek Synthetic Private Equity Fund	-10.2%	-10.2%	+7%	26	57%

Disclosures

Return Information Sources: Turtle Creek Asset Management Inc. ("TCAM" or "the Manager"), Bloomberg.

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Certain economic and market information herein has been sourced from third parties believed to be reliable but has not been independently verified. The Manager and its affiliates accept no liability for the accuracy, reliability, or completeness of such information.

Endnotes

1. The S&P/TSX Completion and S&P MidCap 400 are total return indices. The S&P/TSX Completion (formerly called the S&P/TSX MidCap) is a Canadian index that is comprised of the constituents of the S&P/TSX Composite Index that are not in the S&P/TSX 60. The S&P/TSX 60 is a Canadian index that is comprised of the largest companies within the S&P/TSX Composite index. Comparisons to certain indices and benchmarks are provided for illustrative purposes only and are intended to indicate broad market performance and characteristics. Comparisons to indices and benchmarks are limited in part because indices and benchmarks are not managed and do not charge fees or expenses. The Fund may underperform or outperform an index or benchmark for many reasons.
2. Based on the change in net asset value of the Fund's Class I Series 1.0 Units for all funds except for Turtle Creek Investment Fund ("TCIF") which reflects Class A Series 1 Units. A company's intrinsic value or Business Value represents our best estimate of the present value of such company's future cash flows and is necessarily comprised of many assumptions, the use of which includes a number of risks and uncertainties that may cause actual values to differ from our estimate. A Fund's Business Value is calculated using our estimate of Business Value for each company, weighted based on the portfolio's holdings.

Holdings that constitute less than 0.25% of the Net Assets of TCEF and TCIF are not included in the number of holdings. Similarly, holdings that constitute less than 0.1% of the Net Assets of TCCF, TCUS and SPEF are not included in the number of holdings.