

Maxam Diversified Strategies Fund – Q3 2025 Commentary

Dear fellow investors,

The Maxam Diversified Strategies Fund¹ (the “Fund”) gained +7.7% in the third quarter of 2025. Over the last five years the Fund has delivered an annualized return of +14.1%.

Smoother ride.

In stark contrast to the weak start to the year – punctuated by the sharp tariff-induced selloff in early April – the third quarter of 2025 was largely a smooth ride higher for equity markets.

Fiscal and monetary stimulus continue to be broadly supportive, albeit against a backdrop of geopolitical tensions. Canada’s equity bellwether, the S&P/TSX Composite Index, was taken higher by surging gold stocks and strength in banks. South of the border, U.S. equities continued to be propelled higher by the artificial intelligence theme, and more recently by improving sentiment for expectations of interest rate cuts that investors hope won’t rekindle inflation.

We are mindful of the concentration risk that bellwether equity indices have in U.S. mega caps – which trade at rich valuations. It is possible for a company to be both a wonderful business and a poor go-forward investment at the same time.

Our focus remains on investing in select companies and idiosyncratic situations where we believe we have found attractive fundamentals and/or a specific catalyst or event that will drive value.

Q3 positions and activity recap.

While general market volatility in the third quarter was lower than experienced in the first half of the year, there were company-specific events and volatility that we were able to take advantage of.

Notable positive contributors to performance in the third quarter included: Kraken Robotics, Brookfield Business Partners, Information Services Group, Exchange Income Corp, and our basket of gold companies.

Kraken Robotics is a marine-focused technology company that designs and develops advanced sonar and optical sensors, and robotic systems used in military and commercial applications. This Canadian company based in Newfoundland continued to capture the attention of investors with its fast growth and advanced defense-tech offerings. While we have prudently trimmed our exposure following the company’s rapid share price increase, the story remains catalyst-rich and on-theme in the current market environment.

Higher up the market cap spectrum, Brookfield Business Partners – owner of high-quality industrial, infrastructure, and business services companies – continued to narrow the discount that it trades at relative to net asset value, aided by solid financial results, a fertile M&A environment, and improving investor sentiment regarding easing macro concerns.

Shares of Information Services Corp. moved higher during the third quarter after the company announced that they had initiated a strategic review with the intention of maximizing value for all shareholders. Crown Investments Corporation of Saskatchewan, the company’s largest shareholder, said they would take provincial economic and employment considerations into account when reviewing any proposals.

At the other end of the ledger, detractors from performance during the third quarter included Sylogist, Sangoma Technologies, TMX Group, McCoy Global, and MDA Space.

Sylogist and Sangoma have both suffered from growth that hasn't met expectations of late. We reduced our position in Sylogist before its recent share price decline and note that there is now an activist investor pushing for changes.

We used the decline in the share prices of McCoy Global and MDA Space to opportunistically add to our positions in each company at valuations that we deem attractive, and in advance of future expected catalysts.

During the quarter we exited the Fund's positions in Ag Growth International, Blackline Safety, Kinaxis, and Dye & Durham.

While Ag Growth continues to trade at an attractive valuation, we are of the view that its end markets may take longer to recover and grow. Blackline Safety was a solid performing investment for the Fund over the last few years, but we viewed the valuation as full while the company transitions through a product update cycle.

We exited our small position in Dye & Durham during the quarter, despite only recently investing in the company – we'd considered it a special situation investment with shareholders and its founders urging a sale. However, when the company surprised the market with news that they would miss filing their audited financial statements on time, we quickly sold our position – taking a small loss and avoiding the stock's subsequent decline.

Speaking of M&A...

The Fund benefited from two of its holdings reaching agreements to be acquired during the quarter. First it was Dream Residential Real Estate Investment Trust announcing an agreement to sell to Morgan Properties for \$10.80 cash per share following a strategic review. And then closer to the end of the quarter, Quorum Information Services announced that it had entered into a definitive agreement to be acquired by Valsoft Corporation for \$0.80 cash per share.

We follow the M&A market quite closely for the [Maxam Arbitrage Fund](#) – and note that prevailing market conditions continue to be supportive of deal formation. A more friendly regulatory environment, solid corporate balance sheets, growing profits, and higher stock prices are providing executives with the confidence to make acquisitions.

With quality small and mid-cap companies trading at more reasonable valuations than large caps, we expect that acquirors will continue to be active in this segment of the market – and we would not be surprised to see more of our holdings targeted.

The only constant is change.

We live in a world of change – and it seems like particularly intense change these days. From geopolitical tensions and shifting fiscal and monetary policy, to tariffs, trade deals (*or not*) and of course artificial intelligence ~~rewiring everything~~ sucking up all the capex.

It is prudent to be mindful of the risks that come with change, but also attentive to the opportunities. Without change the investment landscape would be a lot less prospective – and a lot more boring.

Market volatility, economic uncertainty, geopolitical tensions, technological changes and countless other factors expose mispricings – creating compelling entry points and unveiling new opportunities.

In our view this environment of change is fertile with investment opportunity – especially beneath the surface of the index heavyweights – and is well-suited to our flexible approach and value-oriented style.

Please get in touch if you have any questions.

Sincerely,

Travis Dowle, CFA
President & Fund Manager
Maxam Capital Management Ltd.

¹ Maxam Diversified Strategies Fund, Class F, net of fees and expenses. Please contact us regarding other classes of fund units or visit our website www.maxamcm.com.

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