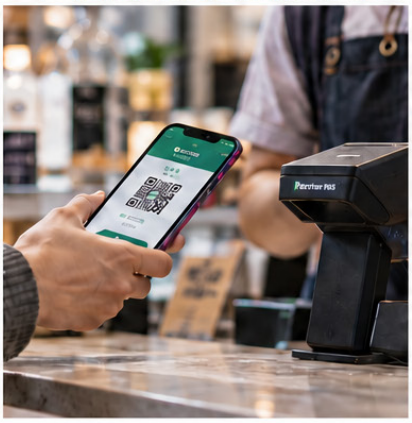
Tencent 腾讯

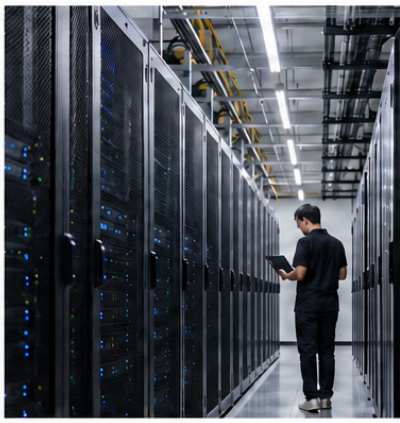
WeChat / Weixin

Tencent Games



Weixin Pay

Video & Music



Tencent Cloud

CYMBRIA®

Cymbria.com

This collage highlights Tencent Holdings Ltd.'s diverse digital ecosystem. One of our equity holdings in the EdgePoint Portfolios, it is a technology company with businesses spanning entertainment (video games, movies and music), fintech, social media and A.I. As the largest social media app in China, WeChat generates revenue from multiple areas of digital activity such as in-game purchases, digital payments and advertising. Effectively, it's a royalty on Chinese smartphone usage. Several of Tencent's businesses have lower monetization rates relative to comparable global platforms, which could provide opportunities for revenue growth over time.

As at September 30, 2026, Tencent Holdings Ltd. securities were held in Cymbria, EdgePoint Global Portfolio and EdgePoint Global Growth & Income Portfolio. They are not representative of the entire portfolio, nor is it a guarantee of future performance. EdgePoint Investment Group Inc. may be buying or selling positions in the above securities. Past performance is not indicative of future results.

Image created using generative A.I.

Q3 2026 Cymbria commentary

EXPONENTIAL
By Jeff Hyrich

> *"In 58 years of Berkshire management, most of my capital-allocation decisions have been no better than so-so… Our satisfactory results have been the product of about a dozen truly good decisions... Over time, it takes just a few winners to work wonders."*
>
> — Warren Buffett, Berkshire Hathaway 2022 Letter to Shareholders

I remember being surprised when I first read this. One of history's most successful investors was saying most of his decisions had only been "so-so". Over nearly six decades, some commentators estimate Buffett made between 300 to 400 meaningful decisions, spanning investments in publicly traded stocks, acquiring entire businesses and key hires. Berkshire's extraordinary success effectively came down to about a dozen truly good decisions – 3% to 4% of all decisions *truly* moved the needle.

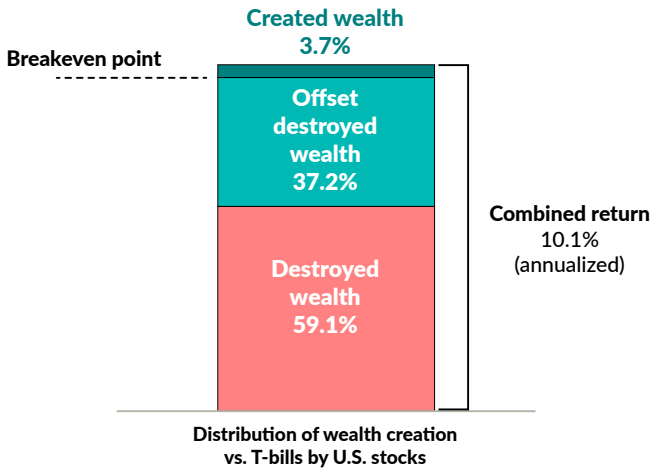
A portfolio doesn't need every investment to work equally well. A few exceptional businesses, held long enough, can contribute far more than their original weight might suggest. Our challenge as investors is to find those businesses at sensible prices, tune out short-term market noise and give their growth time to matter.

Pulling more than their weight

Research by Arizona State University professor Hendrik Bessembinder shows that the idea that a small minority of stocks creates the majority of wealth isn't limited to the Oracle of Omaha.[i] The most recent update is a century-long study that looks at 29,754 U.S. common stocks issued by 29,081 companies from January 1926 to December 2025.[ii] Over 100 years, the market compounded at 10.1% annually, yet more than half of individual stocks delivered negative buy-and-hold returns over their lifetimes. In an earlier version of the study, one in four stocks (23%) lost over 90% of their value.[iii]

Dr. Bessembinder went further by comparing the stocks' aggregate wealth creation against an equivalent investment in U.S. Treasury bills, often considered a risk-free return. The analysis included all dividends, share issuances and repurchases. Of the 29,081 companies, 59.1% detracted from wealth creation. Another 37.2% offset those losses. The remaining 3.7% accounted for all net wealth created above T-bills.

U.S. stocks – Wealth creation vs. T-bills
Jan. 1926 to Dec. 2025



Source: Hendrik Bessembinder, "One Hundred Years in the U.S. Stock Markets", March 20, 2026. SSRN.

Put another way, the bottom 96.3% of all companies in the study collectively created no net wealth above the T-bill benchmark. The EdgePoint Investment Team doesn't measure risk using price volatility, but rather likelihood of permanent loss of capital. In exchange for that possibility, we want to be compensated with a pleasing return. The study showed that the majority of stocks caused investors to risk more than they were likely to gain.

Similar analyses conducted by Dr. Bessembinder showed that the story was the same in global markets. Between 1990 and 2020, 2.4% of issuers were responsible for global stock market wealth creation relative to U.S. T-Bills. A staggering 57.7% destroyed wealth relative to T-bills, while 39.9% of issuers offset those losses.[iv]

As one of my EdgePoint colleagues is fond of saying, "If making money in the stock market were easy, the world would be rich, and it isn't rich for a reason." These studies help explain why market returns are extraordinarily uneven. Many investments disappoint, while a small number do wonderous things, multiplying investors' capital 10, 100 or even 1,000 times.

What long-term winners had in common

You don't have to take excessive investment risks to get lottery-type returns in the market. But we do need to understand what allows a business to keep increasing its value over time.

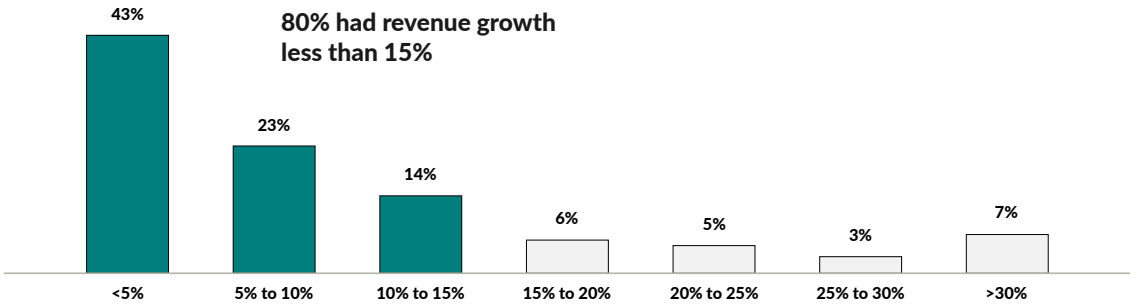
While there isn't a magic formula to find stocks that will outperform, a recent Raymond James study looked at traits among the S&P 500 Index companies with top-decile returns over 10-year periods from 1999 to 2023.[v] Interestingly, it showed that the top outperformers could be found across all industries and geographies. Below are some of the more interesting commonalities among the best-performing stocks.

- **Slow starters**

  Most weren't hypergrowth companies at the outset. About 80% had first-year sales growth below 15%, while only 7% began above 30%.

  Sustaining that growth mattered more than an unusually fast start. Outperformers median annualized sales growth was 8% over the decade.

Top performers – Year 1 sales growth over 10-year periods
1999 to 2023



Source: Tavis McCourt & Leslie Vandegrift, Raymond James, "Institutional Equity Strategy: "How to Find, Hold, or Build Top 10% Long Term Equity Performers", March 5, 2024. Performance is based on year-over-year equity returns daily for all caps this century.

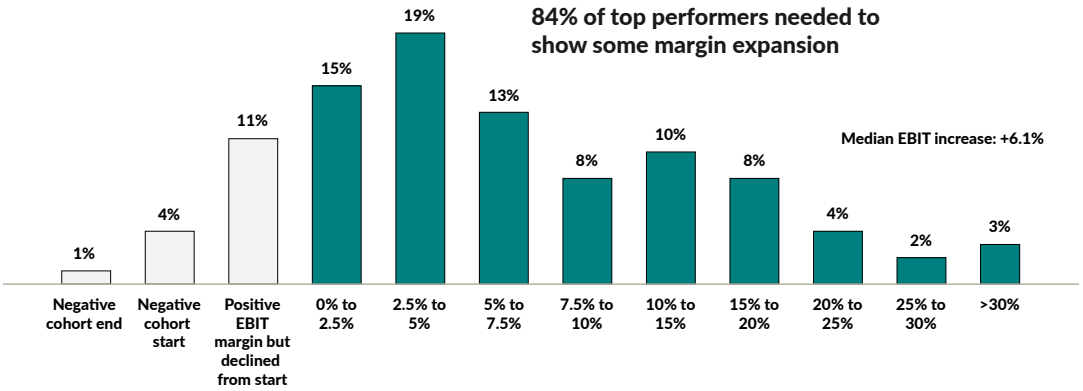
- **Money makers from the beginning**

  Top performers were usually already profitable at the start – only 5% had negative earnings either at the start or the end.

  Most were also able to increase their earnings. Approximately 84% expanded their profit margins, with a median increase of 6.1%.

  Strong cash generation was a common feature – roughly 60% had free cash flow higher than their reported accounting earnings.

Top performers – Change in EBIT margins over 10-year periods
1999 to 2023



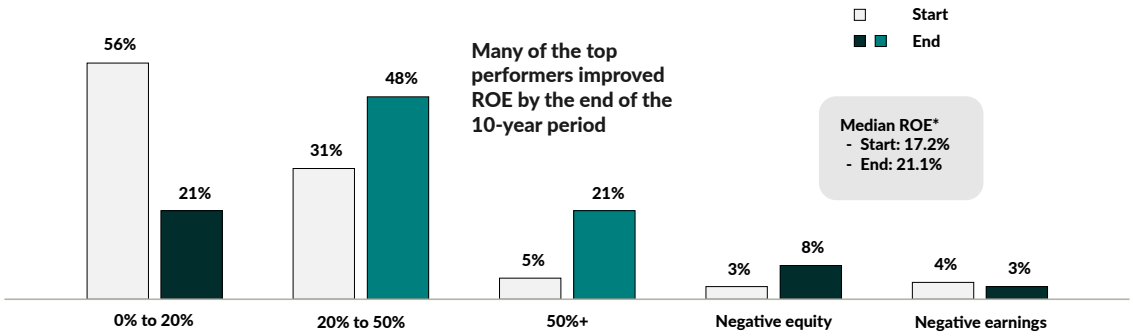
Source: Tavis McCourt & Leslie Vandegrift, Raymond James, "Institutional Equity Strategy: "How to Find, Hold, or Build Top 10% Long Term Equity Performers", March 5, 2024. Performance is based on year-over-year equity returns daily for all caps this century. Earnings before interest and taxes (EBIT) is a way of measuring a company's profitability and is also known as operating income.

- **Many happy returns**

  Returns on equity (ROE) followed a similar pattern of improvement. The top-performing companies generally had managers who became better capital allocators.

  At the start, 56% had positive ROE below 20%. By the end, almost 70% had ROE above 20%. Median ROE rose from 17% to 27%.

Top performers – ROE (start vs. end of review period) over 10-year periods
1999 to 2023



*ex: negative EPS/equity names

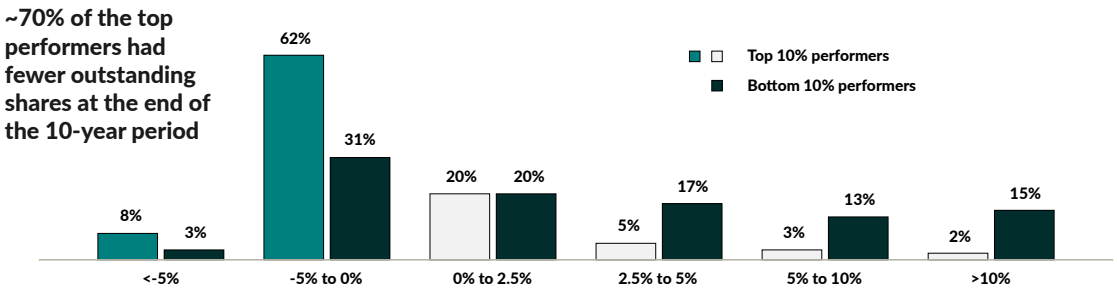
Source: Tavis McCourt & Leslie Vandegrift, Raymond James, "Institutional Equity Strategy: "How to Find, Hold, or Build Top 10% Long Term Equity Performers", March 5, 2024. Performance is based on year-over-year equity returns daily for all caps this century.

- **Buy-back to the future**

  Roughly 70% reduced their share count over the decade.

  Growth wasn't offset by issuing more shares, meaning that the winners grew faster on a per-share basis.

Top 10% vs. bottom 10% performers –
Annual change in share count (average) over 10-year periods
1999 to 2023

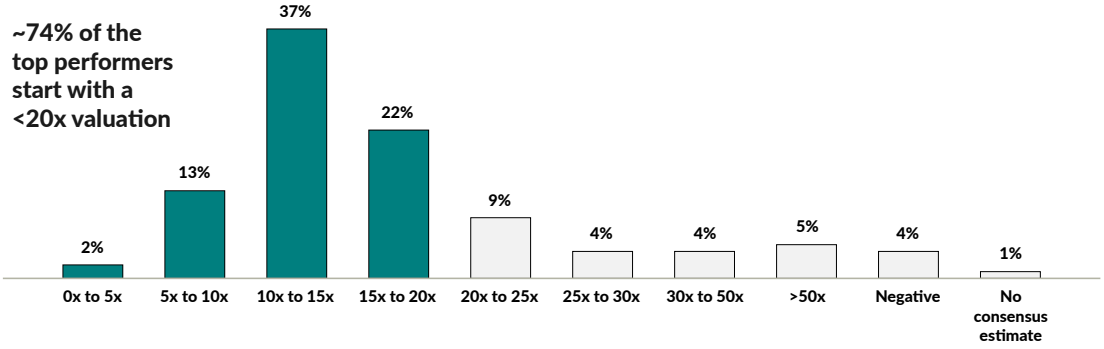


Source: Tavis McCourt & Leslie Vandegrift, Raymond James, "Institutional Equity Strategy: "How to Find, Hold, or Build Top 10% Long Term Equity Performers", March 5, 2024. Performance is based on year-over-year equity returns daily for all caps this century.

- **Buying low**

  Valuation mattered too, with 74% of top performers beginning below 20x earnings (P/E). But it wasn't necessarily the cheapest companies that performed the best – only 15% began below 10x earnings, while 59% started between 10x and 20x earnings.

Top 10% performers –
Price-to-earnings (P/E) ratio (start of review period) over 10-year periods
1999 to 2023



Source: Tavis McCourt & Leslie Vandegrift, Raymond James, "Institutional Equity Strategy: "How to Find, Hold, or Build Top 10% Long Term Equity Performers", March 5, 2024. Performance is based on year-over-year equity returns daily for all caps this century.

The math is straightforward – revenue multiplied by net profit margin gives earnings, dividing by share count gives earnings per share. Modest revenue growth can therefore become much faster per-share growth when margins improve and the share count falls.

These are the characteristics of past winners. Some ordinary-looking businesses improve over time, others stay ordinary and the rest deteriorate. The EdgePoint Investment Team looks to identify agents of change that are impacting a business where we see the fundamentals of a business improving but that change hasn't been reflected in its share price yet.

Value judgments

Valuation is the overlay that reflects market psychology – how enthusiastic or pessimistic are investors in a particular company's ability to execute and deliver growth to shareholders. The same business can be a wonderful investment at 10x earnings and a terrible one at 40x earnings.

Most valuation metrics are tied to price, something that can be very volatile. A previous commentary showed that there was 66% average spread between the calendar-year high and low stock prices over the previous decade for the 10 largest companies in the MSCI World Index.[vi] These are the biggest companies in the world, with stable earnings power, widely owned and analyzed by thousands of investment professionals. The volatility in share price is multiples higher than that of the underlying business.

Volatility has increased in part due to shorter investor time horizons. Think about someone you know who owns their own business and is financially successful. Did they achieve that success by repeatedly buying and selling businesses every seven months or did they stay involved with the same business for years to grow their wealth?

Market turnover statistics indicate how difficult patience can be. According to an analyst report, the average holding period for U.S. stocks went from 8.7 years in 1975 to just over seven months in 2025 – a 93% reduction in time held.[vii] This creates advantage for the longer-term-focused investor because they're looking out years while everyone else is looking out months.

Patience combined with an understanding of the businesses behind those stocks is one of the best ways we believe to grow wealth over time. EdgePoint Investment Team members have lists of companies we have been watching for years, if not decades, that allow us to act quickly if the short-term price volatility in the market presents an opportunity.

Where we're finding opportunities in the market today

Today, we believe that valuations are more attractive in the mid-cap space. Size matters; smaller businesses generally have more room to expand than companies that are larger and already dominant.

We can use the median market capitalizations of the S&P 100 Index (large caps) and the S&P MidCap 400 Index (mid caps) to illustrate what it would take for a typical company of each size to double:

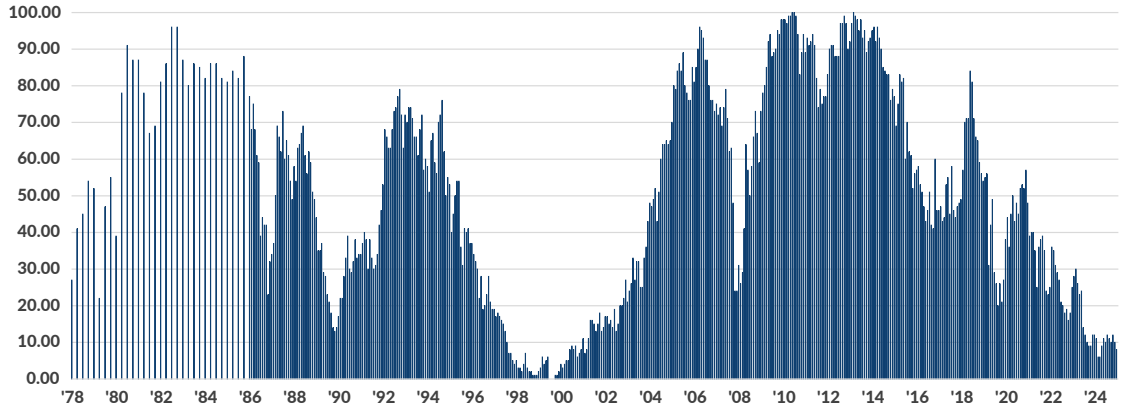
Index	Median market cap (US$B)
S&P 100 Index	$217.2B
S&P MidCap 400 Index	$8.0B

Source: FactSet Research Inc. As at September 30, 2026. The S&P 100 Index is comprised of the 100 largest U.S. companies based on market capitalization. The S&P MidCap 400 Index is comprised of the mid-range 400 U.S. companies based on market capitalization. The indexes are not investible.

To put that in perspective, there are fewer than 100 companies in the world with a market cap over US$217.2 billion, the median size of the largest companies. For the median company in the large-cap index to double, it would have to grow by 80% of RBC's market capitalization (US$273.4 billion) at the end of September.

The following chart ranks a mix of relative valuations for the Russell Midcap Index relative to the Russell Top 200 Index since it launched in 1978. A reading near zero means mid caps are near their cheapest relative valuation in the sample, while a reading near 100 means they're near their most expensive.

Russell Midcap Index vs. Russell Top 200 Index – Relative valuations
1978 to 2025

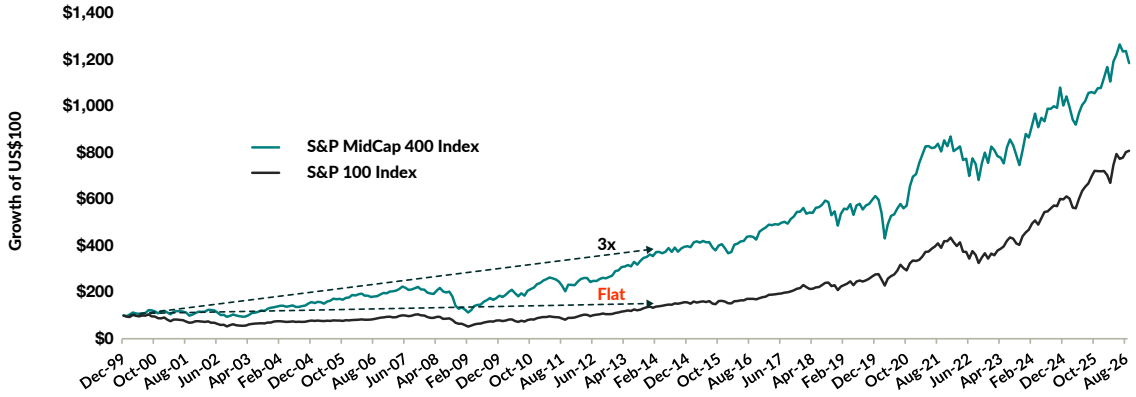


Source: Brown Advisory, "Revisiting U.S. Mid-Cap Equities: A Strategic Opportunity in a Time of Market Concentration", BrownAdvisory.com, January 21, 2026. As at December 31, 2026. Relative valuations are a quarterly comparison of the Russell Midcap Index and the Russell Top 200 Index. See endnote viii for additional details.

At the end of 2025, mid caps were near the low end of the comparison period. Mid caps have historically traded at higher relative valuation to large caps for most of the past 48 years due to their higher growth. The only other time relative valuation was lower happened in the aftermath of the technology bubble.

Investors who put their money in mid caps following the dot-com bubble were rewarded. An investment in the S&P 400 MidCap Index at the end of 1999 tripled by 2014 while the S&P 100 was flat.

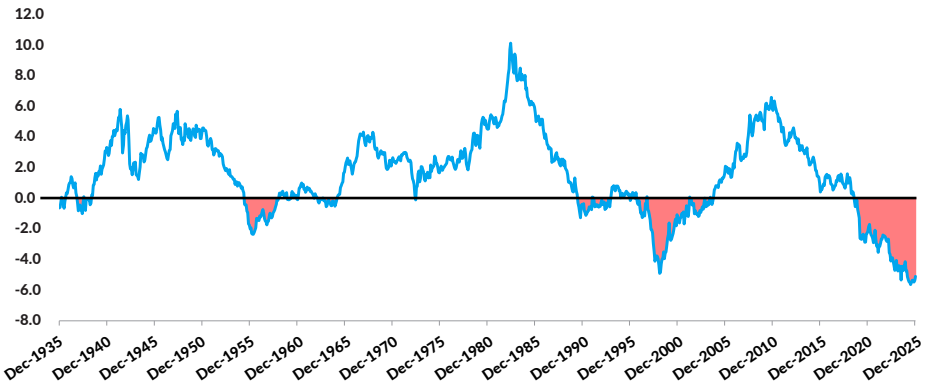
S&P 100 Index vs. S&P MidCap 400 Index – Growth of US$100
Dec. 31, 1999 to Sep. 30, 2026



Source: FactSet Research Inc. As at September 30, 2026. Total returns in US$. The indexes are not investible.

Mid-cap outperformance isn't limited to the popping of the 2000 tech bubble. Ten-year rolling returns have favoured mid caps over large caps approximately 70% of the time over the last 90 years. Investors today might be suffering from recency bias since large caps have outperformed since 2019, but that also means mid caps are trading at a relative discount.

Mid cap vs. large cap – relative 10-year annualized rolling returns
Dec. 1935 to Dec. 2025



~70%
of rolling 10-year periods mid caps ahead of large caps.

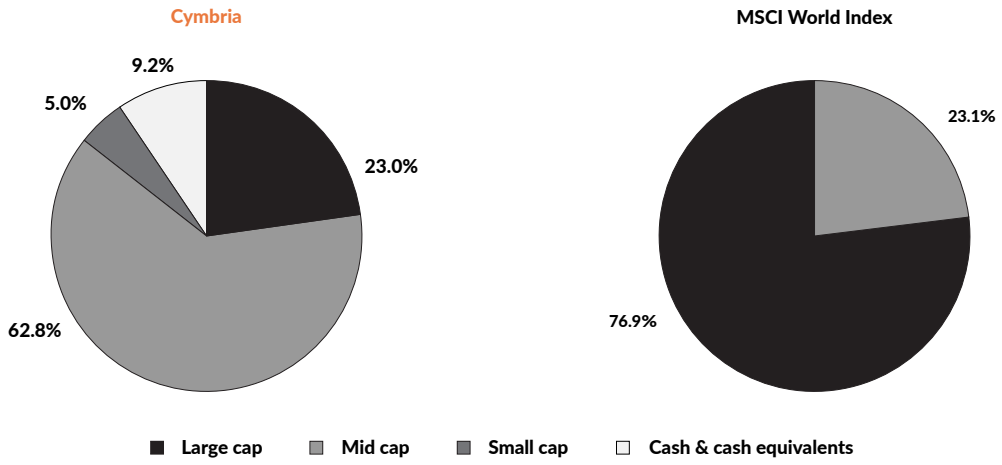
3
meaningful negative stretches: mid-1950s. 1997-2004, and 2019-today.

-5.3 pts
current trailing 10-year gap per year, near the worst on record.

Source: Brown Advisory, "U.S. Mid-Cap Growth Equity Strategy", June 2026. Total returns in US$.

Today, Cymbria has approximately 63% invested in mid caps, 23% in large caps and 5% in small caps.[ix] The MSCI World Index had almost the opposite mix. We believe we have identified companies undergoing positive elements of change where we aren't paying for their future growth.

Cymbria vs. MSCI World Index – Market capitalization
As at Sep. 30, 2026



Source: FactSet Research Systems Inc. As at September 30, 2026. Market capitalization thresholds are calculated by taking a median of the maximum and minimum market capitalization of businesses in the MSCI World Mid Cap Index on a rolling 12-month basis from December 31, 2024, to December 31, 2025. The capitalization ranges are small <$3B; medium $3B to $98B; and large >$98B (C$). Excludes private companies and fixed income. The MSCI World Index Mid Cap is a market-capitalization-weighted index comprising midcap equity securities available in developed markets globally. The MSCI World Index is a broad-based, market-capitalization-weighted index comprising equity securities available in developed markets globally. The indexes are not investible. We manage Cymbria and the EdgePoint Portfolios independently of the indexes we use as long-term performance comparisons. Differences including security holdings and geographic allocations may impact comparability and could result in periods when our performance differs materially from the index.

Retail therapy – deep dives into two ideas

At Cymbria, we invest in businesses, not just valuation metrics, market caps, sectors or regions. I wanted to illustrate our approach by looking into two companies, a past holding and a current one, to help show how an attractive entry price can help grow an investor's wealth over time.

Discount retail – Ross Stores, Inc. vs. Walmart Inc.

Ross Stores operates off-price (discount) department store similar to Winners. We originally bought it in 2021 and sold it earlier this year, although members of our Investment Team have followed and owned the business at prior firms for more than 25 years.

From 2000 to 2025, Ross grew revenue at 8.9% a year, increased its net margin from roughly 6% to 9% and shrank its share count by 2.7% a year. Together, those changes produced annual earnings per share (EPS) growth of 14.3%, or nearly double Walmart's 7.3%.

Annualized growth (2000 to 2025)	Ross Stores	Walmart
Revenue	8.9%	5.4%
Shares outstanding	-2.7%	-2.1%
Earnings per share	14.3%	7.3%

Source: FactSet Research Systems Inc. As at September 30, 2026. All figures in US$. See *Important information – companies* for additional details.

Ross also started at an attractive valuation of about 9x earnings. As the business grew, investors became willing to pay more and its P/E multiple tripled. The combination produced 19.5% annualized share price growth, compared with 7.6% for Walmart.

Annualized growth (2000 to 2025)	Ross Stores	Walmart
Share price (ex. Dividends)	19.5% ($2 → $180)	7.6% ($18 → $111)
Net margin (start → end)	6% → 9%	3% → 3%
P/E ratio (start → end)	9x → 27x	38x → 41x

Source: FactSet Research Systems Inc. As at September 30, 2026. All figures in US$.

Yet even with that shift in valuation, roughly three quarters of Ross' share price compounding came from growth in the business itself. Ross didn't need spectacular revenue growth to produce that long-term result – better margins, fewer shares and a higher valuation each amplified the outcome.

Walmart, the largest retailer in the world, shows the other side of the coin. It had an initial public offering of US$16.50 per share ($0.0027 after subsequent splits) and increased to US$104, or about 40,000 times excluding dividends.[x] It was an extraordinary investment for its early shareholders, but the price paid still mattered. At the end of 2000, it was a market darling and traded at an extremely high valuation. It's share price was the same a decade later, even though earnings had grown substantially, because its P/E valuation had fallen from roughly from 33x to about 12x. An excessive valuation offset the growth in the business.

Between 2000 to 2015, Walmart's stock appreciated from US$17.71 to US$20.43 (adjusted for splits), excluding dividends the stock appreciated at less than 1% a year for 15 years![xi] The same company, can be a once-in-a-generation compounder over a half a century and a dead-end investment for a decade and a half.

Home improvement – Techtronic Industries Co. Ltd. vs. The Home Depot, Inc.

Techtronic Industries, a current holding and the company behind Milwaukee and Ryobi power tools, followed a similar recipe. From 2000 to 2025, its revenue grew at 13.9% annualized. Its share count rose modestly, but EPS still compounded at 14.6% annualized, versus 10.7% for Home Depot.

Annualized growth (2000 to 2025)	Techtronic	Home Depot
Revenue	13.9%	5.3%
Shares outstanding	2.0%	-3.3%
Earnings per share	14.6%	10.7%

Source: FactSet Research Systems Inc. As at September 30, 2026. All figures in local currency. See *Important information – companies* for additional details.

Techtronic's share price compounded at 20.6% a year, in part thanks to its net margins roughly doubling from 4% to 8%. It's P/E ratio increased from just 5x earnings and finished at 18x. As with Ross, even though valuation re-rated strongly, earnings growth still accounted for the majority of the compounding.

Annualized growth (2000 to 2025)	Techtronic	Home Depot
Share price (ex. Dividends)	20.6% ($1 → $90)	8.4% ($46 → $344)
Net margin (start → end)	4% → 8%	6% → 9%
P/E ratio (start → end)	5x → 18x	41x → 24x

Source: FactSet Research Systems Inc. As at September 30, 2026. All figures in local currency.

Home Depot, the world's largest home improvement retailer, grew EPS at a respectable 10.7% annualized, but it started at 41x earnings. As its P/E fell to 24x, its share price rose only 8.4% annualized. At the end of 2010, it's share price was lower (~US$35) than at the end of 2000 (~US$46). Valuation shifts had opposite effects on these companies – for Techtronic it added to shareholders' returns while for Home Depot it detracted.

Rooting for the underdogs?

In 2000, both Walmart and Home Depot were large, well-known, high-quality companies that were popular with investors. By contrast, both Ross and Techtronic were relatively unknown.

If we were to jump forward 10 or 25 years from now, how many of today's high quality, glamour stocks popular with investors will have delivered pleasing returns? Our job on the Investment Team is to find those relative unknowns, buy stakes in the business and hold onto them until the market recognizes what we saw.

Buying growth without paying for it

Putting it all together and a few lessons emerge.

- **Growth is important –** without it, even a business bought cheaply and held for years is likely to produce middling returns.
- **Quality doesn't excuse price –** Walmart and Home Depot were both wonderful businesses in 2000. Each traded around 40 times earnings, and yet their shareholders spend the next decade paying for it. Paying up for glamour stocks can work, but only for the rare companies that can continually exceed high expectations. Those are the exception, not the rule.

On the surface, this makes us sound like we're value investors…and that's true. Value investing isn't mutually exclusive to looking for growth. For every investment we make, we're trying to buy that growth without paying for it.

As mentioned earlier, we originally added Ross Stores to Cymbria in 2021 and sold it in mid-2026. The internal rate of return (IRR) for the holding was a pleasing 21.9%.* We can't promise that every investment will have the same results, but we believe this approach is one of the best ways to build wealth over the long term.

It's why every employee at EdgePoint invests alongside you. Together we're the largest investors in our funds and have over C$500 million.[xii] We share in the results of the decisions we make and have a direct interest in getting those decisions right.

Thank you for your partnership.

* Internal rate of return (IRR) is money-weighted return that accounts for the timing and magnitude of cash flows into an investment and represents an investment's actual return. The IRR is in US$ and for the Ross Stores Inc. equity held in Cymbria between October 28, 2021 and May 21, 2026.

Annualized total returns, net of fees (excluding advisory fees), in C$. As at September 30, 2026.
Cymbria Corp., Cl. A aNAV – Since inception (Nov. 4, 2008): 13.83%, 15-year: 15.09%, 10-year: 11.62%, 5-year: 10.48%, 3-year: 16.70%, 1-year: 12.47%, YTD: 10.79%.

Important information – companies

As at September 30, 2026: Techtronic Industries Co., Ltd. securities were held in Cymbria, EdgePoint Global Portfolio, EdgePoint Canadian Portfolio, EdgePoint Global Growth & Income Portfolio and EdgePoint Canadian Growth & Income Portfolio; Ross Stores, Inc., Walmart Inc. and The Home Depot, Inc. securities were not held in an EdgePoint Portfolio. Information on the above companies' securities is solely to illustrate the application of the EdgePoint investment approach and not intended as investment advice. They are not representative of the entire portfolio, nor is it a guarantee of future performance. EdgePoint Investment Group Inc. may be buying or selling positions in the above companies' securities.

[i] Source: Hendrik Bessembinder, "Do stocks outperform Treasury bills?", ASU.edu, W.P. Carey School of Business – Arizona State University. https://wpcarey.asu.edu/department-finance/faculty-research/do-stocks-outperform-treasury-bills

[ii] Source: Hendrik Bessembinder, "One Hundred Years in the U.S. Stock Markets", March 20, 2026. SSRN.

[iii] Source: Hendrik Bessembinder, "Which U.S. Stocks Generated the Highest Long-Term Returns?", July 2024. SSRN.

[iv] Source: Hendrik Bessembinder, "Long-term shareholder returns: Evidence from 64,000 global stocks", October 14, 2020. SSRN.

[v] Source: Tavis McCourt & Leslie Vandegrift, Raymond James, "Institutional Equity Strategy: "How to Find, Hold, or Build Top 10% Long Term Equity Performers", March 5, 2024. Performance is based on year-over-year equity returns daily for all caps this century. The S&P 500 Index is a broad-based, market-capitalization-weighted index of 500 of the largest and most widely held U.S. stocks. The index is not investible.

[vi] The MSCI World Index is a market-capitalization-weighted index comprising equity securities available in developed markets globally.

[vii] Source: Ryan Diamant, Daniel Delaney & Matthew Scherer, "Short-term orientation of equity market creates time arbitrage opportunity for long-term investors", May 2025. CIBC Asset Management.

[viii] The model uses relative trailing and forward price-to-earnings ratio, price to book, price to sales and, starting from 2002, price to cash flow. Data after March 2016 uses Jeffries Financial Group estimates. The Russell Top 200 Index and the Russell Midcap Index are comprised of 200 largest and the remaining 800 stocks of the Russell 1000 Index, respectively. The Russell 1000 Index is comprised of the 1,000 largest stocks listed on U.S. exchanges. The indexes are not investible.

[ix] As at September 30, 2026.

[x] Source: FactSet Research Systems Inc. As at September 30, 2026. Share price return in US$.

[xi] Source: FactSet Research Systems Inc. As at December 31, 2025.

[xii] As at December 31, 2025. Co-investment includes all investments by active company founders and employees in company-related products.

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