

# Pathfinder Small Cap

## Quarterly Report

### December 31, 2025

The Pathfinder Small Cap mandates invest in high-torque, early-stage companies that have the potential to generate superior returns.

### Pathfinder Partners' Fund

The Partners' Fund had a net return of +34.4% in 2025 and +13.0% in the fourth quarter of 2025. This compares to the TSX Venture Exchange which had a return of +65.2% for the year and 4.2% in the fourth quarter. Our annualized 10-year return is +17.7% compared to the TSX Venture Exchange's return of +6.5% over the same period. The table below provides the performance summary.

#### Performance: December 31, 2025

	3M	6M	1 Yr	3 Yr	5 Yr	10 Yr	Incpt. *
Pathfinder Partners' Fund <sup>1</sup>	13.0%	16.5%	34.4%	21.2%	11.1%	17.7%	9.6%
S&P/TSX Venture	4.2%	57.2%	65.2%	20.1%	2.4%	6.5%	-5.4%

  

	2025	2024	2023	2022	2021	2020	2019
Pathfinder Partners' Fund <sup>1</sup>	34.4%	20.0%	10.5%	-20.6%	19.6%	50.6%	26.3%
S&P/TSX Venture	65.2%	8.1%	-3.0%	-39.3%	7.3%	51.6%	3.7%

<sup>1</sup> Performance based on Class C Master series, please see disclosures below

\*Inception Date: March 2011

Our top contributors for the quarter were **Libertystream Infrastructure Inc. (TSXv:LIB)**, **Imaflex Inc. (TSXv:IFX)**, and **Eupraxia Pharmaceuticals Inc. (TSX:EPRX)**. Our main detractors were **Mereo BioPharma Group Plc. (MREO)** and **Modular Medical (NADQ:MODD)**.

We target undervalued, under-researched businesses with the potential to generate superior returns. In 2025, however, discipline mattered more than aggression as we spent much of the year harvesting gains from successful positions and selectively redeploying capital into sectors that remain out of favor.



For example, Canadian housing faces near-term headwinds—slower population growth, high regulatory and permitting costs, and steep development taxes, but these are increasingly offset by meaningful tailwinds. Federal and provincial governments are prioritizing affordability, interest rates are trending lower, and housing prices are beginning to correct from post-pandemic highs. From our perspective, this suggests we are trending towards a cyclical bottom than a top, making the next 12–24 months an attractive window to build positions.

During the quarter, we initiated a new position in **Grey Wolf Animal Health (TSXv:WOLF)**. Grey Wolf is a compounding pharmacy; it produces personalized medicine by combining various ingredients to create a unique dose tailored to the patients' requirements. Despite the name, roughly 30% of their revenue comes from human pharmaceutical compounding and 70% from its veterinarian segment. An aging population and changing healthcare consumption patterns are driving demand for healthcare and med-tech solutions. As customized individual treatments become more widespread, such as GLP-1 peptides (e.g., Ozempic, Wegovy), pharmacies should see structurally higher demand for both products and services.

“The market can stay irrational longer than you can stay solvent,” a quote commonly attributed to John Maynard Keynes, is often invoked to describe periods of speculative excess. Whether that characterization applies to today's market is debatable, but what isn't is the markets' ability to persistently underappreciate high-quality, cash-generating businesses for longer than investors expect. This dynamic works to our advantage when we are building an initial position, allowing us to accumulate shares at attractive valuations. It becomes less favorable once a position is fully established and the market remains indifferent, sometimes for years, despite improving fundamentals. Ultimately, timing matters, and the recent example below illustrates how patience, positioning, and conviction can ultimately offset market inefficiency.

**Imaflex Inc. (TSXv:IFX)** is a manufacturer of flexible packaging such as polyethylene films for industrial, agricultural, and consumer markets (think snack-food packaging like Lay's chips). With steady mid-single-digit revenue growth and consistent 7–10% cash-flow margins, Imaflex quietly built a strong balance sheet. Despite this, its share price remained largely range-bound for the better part of the decade. The disconnect between the market and fundamentals closed in December this year, when Imaflex received an all-cash acquisition offer at a 122% premium to its prior share price. The magnitude of the premium suggests that the strategic buyer, Soteria Flexibles Corp., saw a clear and attractive path to expanding profitability. The Partners' Fund initiated its position in 2015, and due to the recent takeout, we will exit after roughly ten years with an excellent ~18% compounded annual return on the initial cost basis.

Equity markets have now delivered three consecutive strong years. While momentum often persists, we believe the probability is high that the pace of gains begins to moderate in 2026. Both the U.S. and Canada continue to pursue supportive fiscal and monetary policies, but we remain cognizant of preserving the capital we have built for our unit holders and balancing opportunity with risk management. Investor sentiment, from institutions to retail, has been dominated by the fear of missing out. High-profile winners have reinforced this mindset, but investing is a marathon, not a sprint. Our approach remains grounded in discipline, valuation, and long-term compounding, and we believe this positioning will continue to drive the Fund's relative outperformance over time.



## Pathfinder Resource Fund

The Resource Fund had a net return of +73.9% for the 2025 calendar year and 24.9% in the fourth quarter of 2025. This compares to the benchmark which had a net return of +73.4% for for the year and +10.0% for the fourth quarter. Since inception (July 16, 2018), the Resource Fund has returned +20.0% annualized versus the benchmark's return of +13.9%. The table below provides the performance summary.

Performance: December 31, 2025							
	3M	6M	1 Yr	3 Yr	5 Yr	6 Yr	Incpt. *
Pathfinder Resource Fund <sup>1</sup>	24.9%	44.9%	73.9%	31.1%	17.8%	30.9%	20.0%
Benchmark	10.0%	42.9%	73.4%	25.9%	21.7%	18.9%	13.9%

  

	2025	2024	2023	2022	2021	2020	2019
Pathfinder Resource Fund <sup>1</sup>	73.9%	26.9%	2.2%	-18.7%	23.6%	69.9%	15.6%
Benchmark	73.4%	17.5%	-2.1%	12.0%	19.8%	6.0%	19.0%

Benchmark: 75% S&P/TSX Capped Materials Index, 25% S&P/TSX Capped Energy Index

\*Inception Date: July 16, 2018

<sup>1</sup> Performance based on Class C Master series, please see disclosures below

Our top contributors for the quarter were **LibertyStream Infrastructure Partners Inc. (TSXv:LIB)**, **Prospector Metals Corp. (TSXv:PPP)**, and **Altius Minerals Corp. (TSX:ALS)**. Our main detractors were **Sprott Physical Uranium Trust (TSX:U.UN)**, **Pan Global Resources Inc. (TSXv:PGZ)** and **Strikepoint Gold Inc. (TSXv:SKP)**.

The Resource Fund had its best year of performance since inception. Gold and silver continued their historic rise throughout the year while platinum and palladium also had exceptional gains. The energy transition metals including copper, lithium, and tin also delivered strong returns. Overall, it was a solid year for many of the commodities that we have acquired over the last couple of years as part of our portfolio diversification strategy. We intend to maintain this approach going forward by consolidating the portfolio into high-conviction positions while preserving leverage through our exploration pipeline, with a continued emphasis on capital preservation.

So where do we go from here? Political instability has reaffirmed gold as a strategic asset in times of uncertainty, but critical and energy transition metals have also become tactical and are being used as geopolitical tools. We expect this dynamic to persist in 2026 as nations focus not only on securing access to these minerals, but also on developing domestic refining and processing capabilities. It's estimated that China controls 85-90% of rare earth elements global refining capacity, 60-70% of lithium processing, 40-50% of copper refining and 75-90% of battery grade graphite production. As a result, countries are urgently seeking to diversify critical mineral supply chains by building processing facilities outside of China. However, building these facilities requires significant capital investment, time and operational expertise.



While we have exposure to many of the minerals mentioned above, we remain focused on identifying “alpha” in sectors that may be overlooked or misunderstood. Crude oil prices are close to 5-year lows while natural gas is trading in a similar range. Whereas most institutions are bearish on oil due to citing weakening demand as EV adoption rates are expected to increase coupled with oversupply, we hold a contrarian view. Recent reports suggest increasing production costs for US Shale producers are having a negative effect on additional production but also drilling operations. The number of rigs drilling across the U.S. has dropped by 15% over the past year, mainly in the Permian basin, the largest and most productive oil basin in the U.S. United States. Shale production has been responsible for almost 90% of all non-OPEC production growth, underscoring the potential global supply implications of this decline.

We also remain constructive on platinum and palladium based on our supply and demand thesis signaling PGM prices still have asymmetric risk to the upside despite recent performance. Major producers continue to shutter production while demand grows for internal combustion engine vehicles and hybrids. Global vehicle emissions standards are increasing, pointing towards the need for greater PGM content requirements for newer vehicles. Jurisdictional risk is another factor to consider. South Africa and Russia account for almost 80% of Palladium production while 70% of Platinum production comes primarily from South Africa.

Another sector that we believe has fallen out of favour is graphite. Approximately 75% of graphite is mined in China and 95% is refined there. This is the critical bottleneck when producing battery-grade anode graphite. AI and electrification are driving demand and while graphite can be mined in other countries, not all graphite is the same. There are only a limited number of projects outside of China that have the carbon content that can be upgraded to anode battery grade. Flake graphite demand is expected to increase by almost 200% over the next decade.

As we continue researching new opportunities, we are also closely monitoring developments within the existing portfolio. One company, **Aurion Resources Ltd. (TSXv:AU)** is becoming very topical as of late. Aurion is a Canadian gold exploration company in a unique position with a project in Finland next to Rupert Resource’s +4 Moz Ikkari gold deposit, a project considered by many as one of the best undeveloped gold projects held by a single asset junior exploration company. The opportunity lies in potential operational synergies. If Rupert were to mine the entire deposit using low-cost open-pit methods, part of the pit design would likely extend onto Aurion’s ground, necessitating an acquisition. Moreover, Aurion’s land may be better suited for infrastructure and tailings storage, potentially enabling faster permitting and construction timelines. Rupert has published a standalone economic study that proposes an OP and underground (UG) mining scenario. However, we believe UG mining will result in higher costs overall versus acquiring Aurion’s property, allowing Rupert to mine their entire deposit via OP. Based on these synergies, we are hopeful that a deal will be reached and both companies can take advantage of this gold environment.

We remain optimistic about the outlook for the resource sector and are actively seeking opportunities in out-of-favor areas that offer meaningful leverage and value as other segments become increasingly crowded. This disciplined approach has guided the Resource Fund since inception, and we are grateful for your continued support as we move forward.



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## Disclosure

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\* All returns are time weighted and net of investment management fees. Returns from the Pathfinder Partners' Fund are presented based on the Class C Master series except prior to its inception in July 2011 when the Class A Master series was used. Inception returns include the 10 months from inception in March 2011. Returns greater than one year are annualized. Returns from the Pathfinder Resource Fund are presented based on the Class C Master series since its inception in July 16, 2018. The S&P/TSX Venture Composite Index (C\$), the S&P/TSX Venture Composite Index, the S&P/TSX Capped Materials Index and the S&P/TSX Capped Energy Index provide general information and should not be interpreted as a benchmark for your own portfolio return. Further details of the Partners' Fund are available on request.

**Changes in Leverage.** We are increasing the liabilities ceiling to 2.0 times the market value of equity for [Pathfinder International Fund](#) and [Pathfinder Conviction Fund](#) to be consistent with [Pathfinder Partners' Fund](#) and [Pathfinder Resource Fund](#).

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