Nicola Global Small-Cap Equity Fund
Quarterly Report | Q2 2025

Overview

Nicola Global Small-Cap Equity Fund seeks to uncover opportunities in global equity markets by targeting smaller, lesser known companies with strong fundamentals and high growth potential. This strategy aims to capitalize on market inefficiencies in the small-cap space providing investors with a globally diversified portfolio of overlooked opportunities poised for long-term capital growth.

Highlights

Uncovering overlooked opportunities – Small-cap companies typically have less coverage than large-cap companies and are generally less understood and relatively unknown, and not popular which may provide compelling opportunities to capitalize on under priced opportunities.

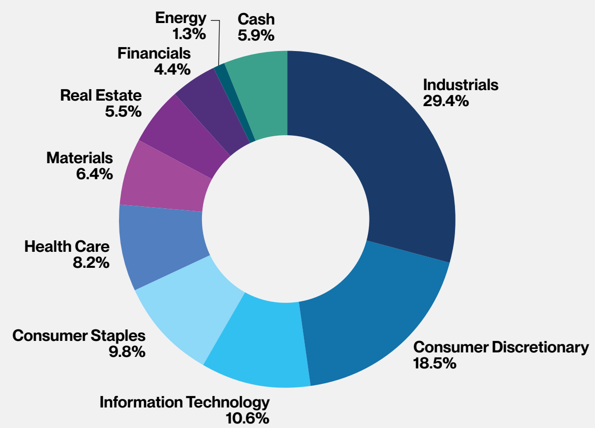
Access a large market – There are 10,000+ companies in the small-cap investment universe.

Focus on fundamentals – The Fund targets companies with strong future revenue growth, solid profitability, margin expansion prospects, robust cash flows, solid balance sheets, quality management teams, and good earnings growth.

Bottom-up value investing – Focusing on value means never paying full price – low absolute, low relative to peers, low relative to own history, and low relative to the broader market.

Broad diversification – The Fund is diversified across geographies and industries, which is central to managing risk levels. The Fund may also use currency hedges as appropriate with the use of currency forwards.

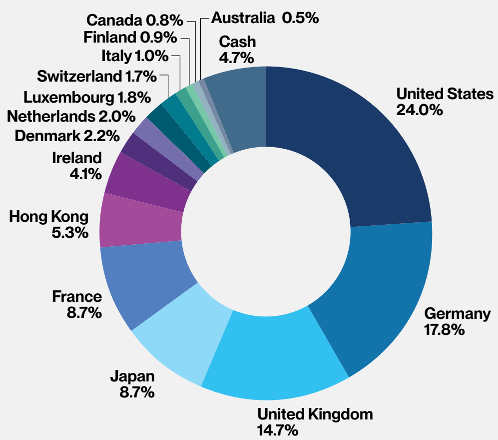
HOLDINGS BY SECTOR
as of June 30, 2025



Equity Characteristics

Forward Price-to-Earnings (P/E)	12.2x
Price-to-Book Value Ratio	2.5x
Enterprise Value-to-EBITDA	8.1x
Net Debt-to-EBITDA	1.9x
Median Market Capitalization	US$3.5B
EPS Growth	14.7%
Return on Equity	14.1%
# of Holdings	56
Dividend Yield[1]	3.1%

HOLDINGS BY COUNTRY
as of June 30, 2025



Returns as of June 30, 2025

	CAD	USD
YTD	**8.9%**	**14.9%**
1 month	**4.1%**	**4.9%**
3 month	**9.0%**	**15.1%**
6 month	**8.9%**	**14.9%**
1 year	**14.6%**	**15.1%**
3 year	**12.8%**	**10.7%**
Since inception*	**10.3%**	**8.2%**

**April 30, 2022*

Calendar Year Returns

	CAD	USD
2024	**11.8%**	**2.9%**
2023	**10.6%**	**13.3%**
2022**	**1.4%**	**-4.2%**

***Return for the fund's first calendar year reflects performance from inception to December 31 of that year.*

Performance

(All performance in CAD)

For Q2 and YTD 2025, the Nicola Global Small Cap Fund returned +9.0% and +8.9% vs a return of +6.5% and +2.2% for the MSCI ACWI Small Cap NTR Index. For the one year, the Nicola Global Small Cap Fund generated a return of +14.6% vs +13.2% for the MSCI ACWI Small Cap NTR Index.

In Q2/25, US trade policy was a key driver of volatility for global equity markets with a sharp sell-off in markets after the initial announcement of reciprocal tariffs by the US. However, markets staged a strong recovery through the rest of the quarter after a 90 day pause was implemented. Since then, some progress has been made on trade agreements with multiple countries. For the quarter, small caps in most international regions, including Europe, Asia and Emerging Markets outperformed, while US small caps underperformed.

The Fund outperformed the index during the quarter mainly due to its overweight allocation to Europe along with its strong security selection in industrials, real estate and consumer discretionary small cap stocks. European small caps performed relatively strongly in Q2/25 and on a year-to-date basis started to outperform European large caps in June. From a top-down perspective, relative to large caps, small caps are more sensitive to domestic economic growth (lower international exposure) and interest rates (higher debt levels & floating rate exposure). In the 1H/25, European small caps benefitted from better growth expectations given their higher exposure to domestic fiscal stimulus plans and lower exposure to potential US trade policy. In addition, European small caps performance has been supported by 100 basis points of easing by the ECB so far this year.

One of the Fund's largest positive contributors to performance in Q2/25 was the German company Kion, which is a global leader in forklift trucks and warehouse automation systems. The stock rallied by 30% during the quarter due in part to signs of a turnaround in warehouse automation orders. Over the long-term, we believe the company remains well-positioned to benefit from a recovery in the warehouse automation industry and fiscal stimulus plans in Germany.

On a year-to-date basis, the Fund benefitted from its stock selection in the small cap sectors of industrials, information technology, consumer discretionary, and health care. Our single best performer during the first half of this year was **Johnson Electric Holdings Ltd.,** which rose by over 80%. In order to manage the risk of a large single stock position, and to take advantage of the big share price move, we cut our position size in half during the quarter. Hong Kong based Johnson Electric Holdings Ltd. is a company focused on the 'motion solution industry' and is one of the world's leading manufacturers of custom micro-motors, actuators, and switches found in a variety of automobile sub-components. Much of the very recent extreme share price move in this stock can be attributed to the company's recently announced plan to also focus on supplying the automated robot market. While we think this is probably a good idea, we feel the share price hype is overdone at this moment.

New Investments / Exits

During the quarter the Fund added De'Longhi SpA, Pets at Home Group PLC, and LivaNova PLC to the portfolio.

De'Longhi SpA is the global leader in small domestic appliances in the areas of coffee, kitchen, and home. The company's main business is manufacturing mid-to-high-end coffee machines (60%+ of sales) where the company is the market leader with over 30% market share. The shares have sold off recently over concerns related to tariffs. We believe the potential headwinds from tariffs are manageable given that only 15% of sales are derived from the US and mitigating options are available (pricing, supply chain). Over the long term, we believe the company is well-positioned to benefit from the structural growth trends in coffee as the market leader in the space.

Pets at Home Group PLC ("PETS") is the leading specialist pet retailer in the U.K with 458 retail superstores and the only player at scale offering together both retail and services (grooming, vet clinics). The business is defensive with ~50% coming from food. The shares have been impacted by the weak UK consumer and a large increase to minimum wages in 2025. Over the long-term, we believe PETS is well-positioned to benefit from a recovery in the UK pet market supported by the rising age of the pet population (driving higher spending). PETS also maintains a strong balance sheet (net cash) and offers a 6% dividend while we wait for a turnaround.

During the quarter, the Fund fully sold its investment in **Patterson Cos Inc**, a US small cap stock that was taken over by a private equity firm at a premium of roughly 50% to its pre-announcement share price.

Our Thoughts On:

The Market and Fund

For the first half of 2025, global equity markets experienced volatility mainly due to policy uncertainty from the Trump administration. For the remainder of 2025, we expect uncertainty to persist with an increasing risk of a policy error on the trade front. As a result, the Fund remains defensively positioned. At the fund level, we are maintaining a reduced risk profile by being underweight in certain cyclical sectors (Financials, Energy, Materials) in addition to maintaining a diversified portfolio (9 sectors, 15 countries, and 56 positions, average position size: 1.7%). We are also attempting to manage a reduced risk profile by being underweight to US small caps, which reduces our USD currency exposure as well as the negative impacts of US trade policy and their negative impact on growth. At the individual stock level, with the world becoming more unilateral, we are focusing on investing in good businesses with pricing power, solid balance sheets and strong free cash flow generation.

We believe that small caps continue to offer better value relative to large caps with the small cap relative valuation differential at close to multi-decade lows. Over the long term, we believe small caps should offer higher earnings growth relative to large caps, which should drive the re-rating of the asset class. However, this requires a more stable economic environment for this earnings outlook to materialize. Timing, as always, is uncertain.

Top 10 Holdings as of June 30, 2025

Holdings	Weight	Description
QinetiQ Group plc	3.1%	Service-based UK defence contractor providing defence training and testing services to military equipment and systems.
TAG Immobilien AG	2.8%	Residential property manager in Germany and Poland.
LEG Immobilien SE	2.7%	Top-three German residential property manager with a concentrated portfolio in the country's densest population region.
Takuma Co., Ltd.	2.6%	Leading manufacturer of waste treatment facilities and biomass plants in Japan.
Ceconomy AG	2.5%	Largest consumer electronics retailer in Europe with market-leading positions in nine European countries.
KION Group AG	2.4%	German-based global manufacturer of industrial trucks, warehouse automation, and supply chain solutions, serving customers in over 100 countries.
Elis SA	2.3%	French-based global leader in rental and maintenance services of linens, garments, and hygiene equipment.
Silgan Holdings Inc.	2.3%	Manufacturer of packaging for consumer goods, including metal food and plastic containers.
MatsukiyoCocokara & Co.	2.3%	Japan-based drugstore operator offering pharmaceuticals, cosmetics, and daily consumer goods through a nationwide retail network.
Sopra Steria Group	2.3%	France-based European IT consultancy providing digital transformation services across public and private sectors, including financial services, aerospace, and defense.
Total	**25.4%**	

***Return for the fund's first calendar year reflects performance from inception to December 31 of that year.*

[1] Dividend Yield represents the weighted average yield of the fund's underlying equity holdings. It is calculated as the weighted average of the forward estimated 12-month dividends divided by the most recent closing price.