NICOLA WEALTH
PUBLIC ASSETS

Nicola International Leaders Fund
Quarterly Report | Q2 2025

Overview

Nicola International Leaders Fund invests in established companies outside of North America – large-cap leaders across Europe, Asia, and Emerging Markets. Focused on businesses with strong cashflow, resilient balance sheets, and durable growth potential, the Fund uses a disciplined value-based approach to uncover companies trading below intrinsic value. The resulting portfolio is built for long-term capital appreciation.

Highlights

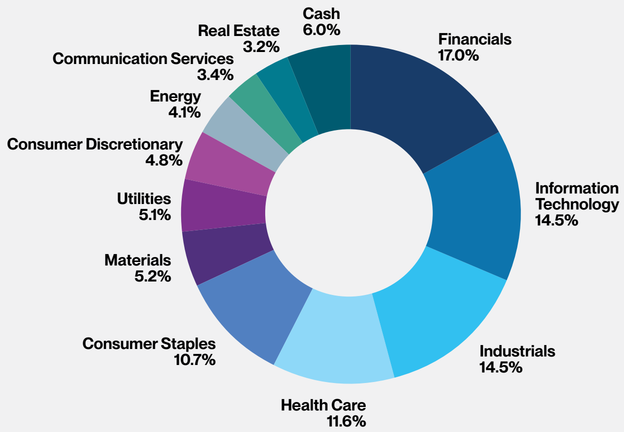
Global diversification – Exposure to large-cap companies across Europe, Asia, and emerging markets and across industries.

Focus on fundamentals – The Fund targets companies that are leaders in their global industries with strong cash flow, solid balance sheets, and good earnings growth.

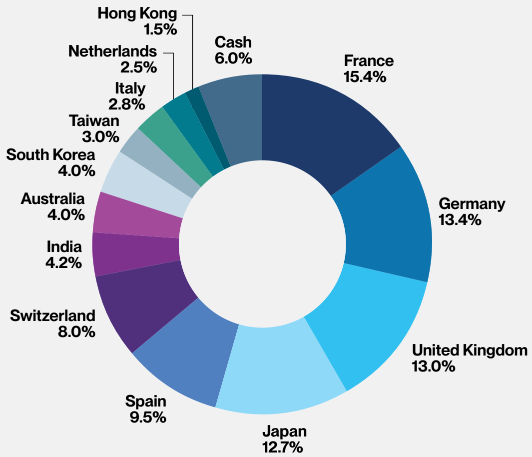
Long-term capital growth – Seeks to capitalize on global economic expansion trends.

Bottom-up value investing – Focusing on value means never paying full price. The team seeks high-quality businesses trading below their intrinsic value, leading to opportunities across geographies and industries.

INVESTMENT BY SECTOR
as of June 30, 2025



INVESTMENT BY GEOGRAPHY
as of June 30, 2025



Equity Characteristics

Forward Price-to-Earnings (P/E)	**13.3x**
Price-to-Book Value Ratio	**3.0x**
Enterprise Value-to-EBITDA	**11.7x**
Net Debt-to-EBITDA Ratio	**1.3x**
Median Market Capitalization	**US$119.6B**
EPS Growth	**15.7%**
Return on Equity	**16.7%**
# of Holdings	**39**
Dividend Yield [1]	**3.4%**

Returns as of June 30, 2025

YTD	**12.7%**
1 month	**1.6%**
3 month	**4.6%**
6 month	**12.7%**
1 year	**18.2%**
3 year	**20.7%**
5 year	**12.6%**
10 year	**9.0%**
Since inception*	**11.6%**

*February 13, 2009

Calendar Year Returns

2024	**17.7%**
2023	**16.4%**
2022	**-7.3%**
2021	**10.6%**
2020	**9.5%**
2019	**15.8%**
2018	**-3.4%**
2017	**16.0%**
2016	**1.1%**
2015	**17.2%**

Performance

(All performance in CAD)

For Q2 and YTD 2025, the Nicola International Leaders Fund returned +4.6% and +12.7% vs a return of +6.2% and 11.6% for the MSCI ACWI ex-USA NTR Index. For the one year, the Nicola International Leaders Fund generated a return of +18.2% vs +17.3% for the MSCI ACWI ex-USA 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 remarkably 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 a number of countries. For the quarter, most international regions, including Europe, Asia, Japan, and Emerging Markets performed roughly in-line with one another over the quarter and finished up by approximately 6%. These same markets initially fell by over 10% at the start of the quarter.

For the quarter, the Fund's performance benefited from its stock selection in consumer staples as well as stock picking and a slight overweight in real estate. A good example of one of our best performing consumer staple stocks is **Tesco**, which rose by ~25% during the quarter. Tesco's core UK food retailing business has strong business fundamentals which include: a dominant number one market share, store locations which tend to have less competition, a solid on-line platform, a healthy mix of branded and private label products, and a wide variety of store sizes and retailing formats that allow it to adapt to different micro markets. At the time of our initial investment, which was about three years ago, we were attracted to Tesco based on the strength of its core business combined with an undemanding valuation and since then the company has continued to execute well.

Continuing with drivers of performance over the quarter, another one of the biggest contributors was **Vonovia**, which is the largest residential real estate firm in Germany. Vonovia shares moved higher during the quarter on signs of a recovery in Germany's real estate market with improving transaction volumes and property values. We believe a continued recovery in Germany's real estate market is supported by favorable supply/demand dynamics with Vonovia well positioned to benefit given its significant scale.

On a year-to-date basis, the Fund benefitted from its stock selection in the sectors of health care, utilities, and industrials. Our single best performer during the first half of this year was the UK-based **BAE Systems**, which rose by over 70%. In fact, BAE's performance was so strong in the first half of this year that we have chosen to trim our position size twice during the quarter in order to maintain an appropriate level of single stock risk. Despite this trimming, the stock remains in our top ten list at slightly over 3% of the Fund. BAE Systems is one of the largest aerospace and defense companies globally, with products in the areas of air, maritime, land, and cyber. The fact that almost every country in Europe has announced plans for a dramatic increase in defense spending will be very good for BAE's business and is driving its share price higher.

New Investments / Exits

During the quarter, the Fund added **Merck KGaA** to the portfolio. Merck KGaA is a global conglomerate with exposure to pharmaceuticals, life sciences and electronics. We believe this stock offers exposure to a strong business with a nice mix of cyclical and secular attributes. We were able to invest in this company at a discount to its intrinsic value due to share price weakness caused in part by tariff uncertainty and weakened cyclical demand in its life sciences & electronics divisions. We expect these issues will be temporary and the shares will thus rebound nicely over time.

The Fund exited completely its small position (<1%) in **Bayer AG** during the quarter. Bayer is based in Germany and is a mix of health care and agricultural businesses. While the company has some strong businesses, it also suffers from too much debt and lingering litigation issues, both related to an ill-conceived 2018 acquisition. We ultimately lost faith in the company's ability to navigate through its challenges.

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 overweight defensive sectors (Consumer Staples, Health Care, Utilities) in addition to maintaining a diversified portfolio (11 sectors, 13 countries, and 39 positions, average position size: 2.4%). At the individual stock level, we continue to favor companies with good pricing power, strong cash flows, healthy dividend yields, and solid balance sheets.

Geographically, we continue to see a lot of value in Europe and remain overweight in the region. Despite European markets rallying in the 1H/25 on improved growth prospects from higher fiscal spending (defense, infrastructure), Europe trades in-line with its long-term average and a 30% discount to the US (30+ year low).

Top 10 Holdings as of June 30, 2025

Holdings	Weight	Description
Banco Santander, S.A.	3.6%	Largest Spanish bank with retail and commercial operations globally, including in Mexico, Spain, Brazil, U.K., and Chile.
Banco Bilbao Vizcaya Argentaria, S.A.	3.6%	2nd largest Spanish bank with retail and commercial operations across 25 countries including Mexico, Spain, Turkey, and South America.
Sumitomo Mitsui Financial Group, Inc.	3.4%	One of Japan's three largest banks with retail and commercial operations in Japan and globally.
Siemens AG	3.4%	Leading German-based global industrial conglomerate with operations in Automation, Infrastructure, Transport, and Healthcare.
Hitachi, Ltd.	3.2%	Japanese-based multinational conglomerate operating across IT, energy, mobility, and industrial systems with a global presence including the U.S., Europe, and Asia.
BAE Systems plc	3.2%	Leading UK-based global aerospace and defence company and largest defence contractor in the UK and Australia.
Vonovia SE	3.2%	Largest German residential property manager offering rental and ancillary services.
Schneider Electric SE	3.1%	Leading French multinational company specializing in energy management and automation solutions, with operations across industrial, commercial, and residential markets globally.
Mitsubishi UFJ Financial Group, Inc.	3.1%	Largest bank in Japan with retail and commercial operations in Japan and globally.
Roche Holding AG	3.1%	Swiss-based global pharmaceutical company engaged in the research, development, manufacturing, and sale of branded pharmaceuticals.
Total	**32.9%**	

[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.