NICOLA WEALTH
PUBLIC ASSETS

Nicola Canadian Equity Income Fund Quarterly Report | Q3 2025

Overview

The Nicola Canadian Equity Income Fund aims to combine stable income with long-term capital growth through a high-conviction, all-cap strategy focused on Canadian companies. Anchored by core holdings with proven profitability and complemented by opportunistic ideas with supportive near-term potential, the Fund targets quality businesses with attractive dividends. A disciplined, bottom-up process and active risk management underpin its goal of delivering consistent, risk-adjusted returns through market cycles.

Highlights

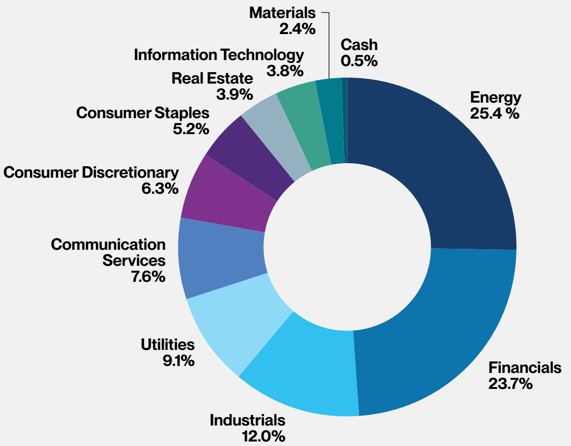
Long-term, quality-focused – The Fund uses an independent, bottom-up process to determine a proprietary quality score for a company and minimum return threshold for its stock. While investments may be held indefinitely, the Fund targets a three to five year holding period.

Reliable income component – The Fund seeks to invest in dividend paying companies with a history of growth and to maintain a competitive dividend yield against the S&P/TSX Canadian Dividend Aristocrats Index. The Fund may use option writing and preferred shares to enhance its cash yield.

Diversified and concentrated – The Fund invests across all sectors and market capitalizations of the Canadian equity market and takes meaningful positions based on risk-reward thresholds.

Dividend Arbitrage Strategy – The Fund may invest in a fully hedged dividend arbitrage approach that aims to generate additional dividend income by buying dividend-paying stocks just before the ex-dividend date while simultaneously shorting the same stocks via futures contracts to hedge price movement. The strategy is a capital-efficient overlay that enhances dividend yield without tying up cash.

HOLDINGS BY SECTOR as of September 30, 2025



Equity Characteristics

Forward Price-to-Earnings (P/E)	15.9x
Enterprise Value-to-EBITDA	9.3x
Net Debt-to-Forward EBITDA	3.0x
Return on Equity	16.3%
# of Holdings	38
Dividend Yield [1]	4.0%

Returns as of September 30, 2025

YTD	13.2%
1 month	2.7%
3 month	5.1%
6 month	14.8%
1 year	14.4%
3 year	15.4%
5 year	14.5%
10 year	9.2%
Since inception*	7.5%

**February 28, 2005*

Calendar Year Returns

2024	19.4%
2023	7.7%
2022	-1.0%
2021	23.6%
2020	-1.9%
2019	17.5%
2018	-11.9%
2017	11.1%
2016	18.7%
2015	-4.3%

Performance

Nicola CEIF returned +5.1% in Q3 bringing the YTD return to +13.2%. On a long-term basis, the 5-year and 10-year annualized returns are +14.5% and +9.2%, respectively. Q3 performance was aided by returns from the following investments:

1. **Secure Waste Infrastructure (+27.3% Q3):** The market share leader for industrial waste management in Alberta and North Dakota saw its shares rise on the back of the federal government's announcement of the first five major projects to be considered for fast-track under the country's nation-building projects initiative. Secure is likely to benefit from the approval of LNG Canada Phase 2, having had exposure to Phase 1.
2. **Toromont Industries Ltd. (+26.7% Q3):** The leading distributor of Caterpillar industrial equipment across eastern Canada similarly experienced share price appreciation from the nation-building projects announcement. Additionally, the company reported better than expected Q2 financial results. While Toromont's valuation appears elevated, its medium-term growth prospects are healthy, and it has the strongest balance sheet among Fund holdings.
3. **Dominion Lending Centres Inc. (+21.3% Q3):** Dominion Lending is a Canadian mortgage brokerage franchisor and mortgage broker data connectivity provider with operations across Canada. The company's asset-light, no credit risk business model will continue to benefit from Canadians increasing use of broker sourced loans and a wave of renewals and refinancings set to occur over the next few years. Dominion's shares increased following new sell-side coverage during the quarter.

Assets under management were $896.1M as of the end of September.

New Investments / Exits

During the quarter, Nicola CEIF initiated two positions (details below). No exits were made.

Great-West Lifeco Inc. (GWO) – GWO is a large-cap financial business that operates in Canada, the US, and Europe, offering life insurance, wealth and retirement, and asset management products and services. We believe the company's scale, conservative investment portfolio, and healthy capital surplus are key attributes supporting its consistently growing market position. GWO has a longstanding track record of dividend growth delivering a CAGR of 4% since 2009. The stock brings a defensive quality and a 4.6% dividend yield to the portfolio.

TFI International Inc. (TFII) – TFI operates the largest trucking fleet and serves more urban centres than any other carrier in Canada. However, more than 66% of its revenues are derived from the US. TFI's focus on providing reliable service, finding cost savings, and maintaining an asset-light structure has altogether supported healthy returns and free cash flow (FCF) through cycles. The current freight recession is going on 33 months vs. the typical duration of ~36. Despite industry headwinds, we believe TFI can deliver FCF per share that is higher than at the start of the freight recession, giving it flexibility for shareholder friendly pursuits, including a dividend that has grown at a 10-year CAGR of 13%, as of October 2024.

Our Thoughts On:

The Canadian Equity Market

Over the past twelve months, we have witnessed continued multiple expansion (earnings yield compression) of the S&P/TSX Canadian Dividend Aristocrats Index – and in our portfolio – on account of various macro (i.e. rate cuts) and micro (i.e. better than expected earnings) factors. As a result, compelling value is less obvious today, but we are still able to find pockets of opportunity. Relative to other developed market indexes, namely the S&P 500, we believe Canada remains in a position of better value and healthy fundamentals, sporting a P/E multiple that is modestly above its long-term average.

The Canadian equity market is experiencing a notable shift as investors move away from Guaranteed Investment Certificates (GICs) and cash equivalent products due to declining interest rates. With GIC yields falling below 3% following multiple rate cuts by the Bank of Canada, dividend-paying sectors such as REITs, Utilities, and Financials have become increasingly attractive and performed well in 2025. Communication Services has underperformed other yield-centric sectors year-to-date, but may benefit from a catch-up rally if Canadian wireless competition moderates. Approximately $100 billion in GICs are repricing each quarter, and this steady flow is expected to accelerate migration toward higher yielding alternatives. As a result, Canadian dividend-paying equities are well-positioned to benefit from continued fund flows throughout the year.

Our Fund

Investment selection is largely based on a bottom-up process that employs a scorecard approach, which assesses a company's quality rating among five key attributes: sustainable competitive advantages, capital allocation record, management alignment, consistency of profits and cash flow, and attractiveness of ROE and ROIC. The Nicola CEIF team maintains a robust inventory of potential investments and their risk-reward ratios, to monitor the best available opportunities. At the end of Q3, the Fund consisted of 38 companies, of which 50% of AUM is concentrated in the top ten ideas. We believe the portfolio displays attractive characteristics in terms of valuation, profitability, and balance sheet health. In our view, the Fund's approach of investing in quality dividend payers at a reasonable price should lead to healthy risk-adjusted returns over time.

Top 10 Holdings as of September 30, 2025

Holdings	Weight	Description
Gibson Energy Inc.	7.9%	A Canadian energy infrastructure company providing services related to the storage, transportation, and marketing of petroleum products.
Canadian Utilities Ltd	5.6%	A Canadian diversified utility company engaged in electricity generation, transmission, and distribution, as well as natural gas transmission and distribution, and energy services.
Toronto-Dominion Bank	5.4%	One of Canada's largest banks, offering a wide range of banking products and services, including retail banking, wealth management, and corporate banking.
Telus Corporation	5.3%	A Canadian Communication company providing broadband internet, television, and wireless services.
Bank of Nova Scotia	5.3%	A major Canadian multinational banking and financial services company providing personal and commercial banking services.
Pembina Pipeline Corp	4.9%	A Canadian energy infrastructure company that transports, stores, and markets oil, natural gas, and natural gas liquids.
Canadian Tire Corporation - Class A	3.9%	A Canadian retail company offering a variety of products including automotive, home, and sporting goods, as well as financial services.
Brookfield Infrastructure Partners	3.6%	A global infrastructure company that owns and operates diversified infrastructure assets across utilities, transport, midstream, and data sectors.
National Bank of Canada	3.4%	A leading Canadian financial institution offering a wide range of banking and financial services.
Sun Life Financial Inc.	3.4%	A Canadian financial services company providing insurance, wealth management, and asset management services globally.
Total	**48.6%**	

[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.