NICOLA WEALTH
PUBLIC ASSETS

Nicola Canadian Equity Income Fund Quarterly Report | Q4 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

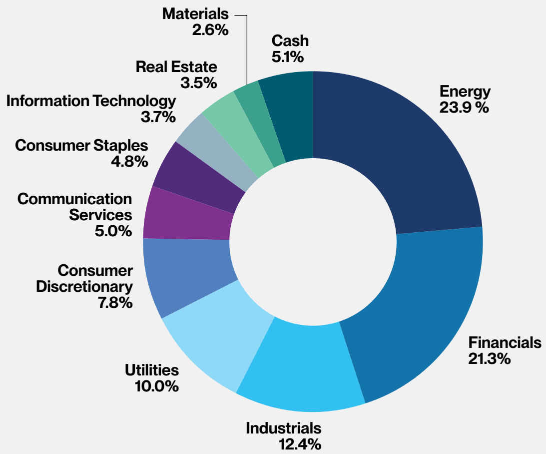
Long-term, quality-focused – The Fund uses an independent, bottom-up process to determine a proprietary quality score for a company and minimum return threshold for its stock. While investments may be held indefinitely, the Fund targets a three to five year holding period.

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 December 31, 2025



May not add up to 100% due to rounding.

Equity Characteristics

Forward Price-to-Earnings (P/E)	**16.4x**
Enterprise Value-to-EBITDA	**10.4x**
Net Debt-to-Forward EBITDA	**3.4x**
Return on Equity	**16.6%**
# of Holdings	**38**
Dividend Yield [1]	**3.9%**

Returns as of December 31, 2025

YTD	**16.0%**
1 month	**1.3%**
3 month	**2.5%**
6 month	**7.7%**
1 year	**16.0%**
3 year	**14.3%**
5 year	**12.8%**
10 year	**9.4%**
Since inception*	**7.6%**

**February 28, 2005*

Calendar Year Returns

2025	**16.0%**
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%**

Performance

The Nicola Canadian Equity Income Fund returned +2.5% in Q4 bringing the full-year return for 2025 to +16.0%. Q4 performance was aided by positive returns from the following investments

1. **Great-West Lifeco (+21.0% Q4):** Great-West Lifeco is a large-cap financial services business that operates in Canada, the US, and Europe, offering life insurance, wealth and retirement, and asset management products and services. We view GWO as a quality business with a strong capital position and a unique growth driver in Empower that should support improving profitability and sustained dividend growth. The company delivered healthy total returns during Q4 on the back of strong Q3 financial results, overall sector strength, and a significant uptick in share buyback activity.
2. **TerraVest Industries (+18.2% Q4):** TerraVest is a consolidator of niche industrial companies with an impressive track record of allocating capital accretively and successfully realizing synergies via its steel procurement cost advantage. The company saw its share price rise on the back of strong FQ4 financial results where solid organic growth drove earnings materially ahead of consensus expectations. The results also demonstrated stability in its operating results following the recent large acquisition of Entrans, which helped to assuage near-term concerns investors had around continued earnings decline in the business.
3. **National Bank of Canada (+17.6% Q4):** National Bank is one of Canada's six systemically important banks offering financial services to individuals, businesses, institutional clients and governments across Canada. We view National Bank as one of the two highest quality banks in Canada and believe there are significant revenue and cost synergies that can be achieved through the integration of Canadian Western Bank over time. The stock performed well during Q4 as FQ4 results capped off a solid year for the bank underscored by 9% Y/Y earnings growth, an improved CET1 capital ratio and a 2026 outlook that points to healthy ROE expansion.

During the quarter, 16% of portfolio holdings increased their base dividends. On a trailing 12-month basis, 82% of portfolio holdings increased their base dividends.

Assets under management was $903.0M as of the end of December.

New Investments / Exits

During the quarter, Nicola Canadian Equity Income Fund found opportunities to improve the portfolio's quality and yield characteristics. Compelling risk-reward profiles led to the introduction of three new positions (details below). These new positions were funded in part through the exit of TC Energy and Information Services Corp based on elevated valuations and skinnier risk-reward profiles relative to other opportunities.

New Investments

FirstService (FSV) – FirstService operates the largest residential property management business in North America as well as a collection of leading businesses providing essential property services. We view FSV as a high-quality business with leadership positions in key markets and an impressive long-term record of growing cash flow and earnings per share. At the time of initiation, the shares were trading at a meaningful discount to historical averages following a negative share price reaction post Q3 financial results. We see the issues within its Brands segment, which influenced the reaction, as transitory and therefore see good long-term value in the stock.

Dollarama (DOL) – Dollarama owns and operates over 1,600 dollar stores across Canada and has embarked on international expansion through an investment in Latin America and, more recently, an acquisition in Australia. DOL's global platform has multiple avenues to continue growing sales in the mid- to high-single digits over the long term, while its first-rate merchandising strategy and operational discipline should provide further lifts in profit margin. The company exhibits top-tier compounding metrics among Canadian publicly listed companies, including a dividend that has grown at a 15-year CAGR of 15%.

Doman Building Materials (DBM) – Doman is one of North America's largest producers of value-added treated lumber and a leading distributor of building products. We believe DBM has achieved adequate scale and diversification of its revenue mix to support consistently higher cash flows over the business cycle. While homebuilding and renovation demand have yet to meaningfully improve, DBM's low capital intensity translates to continued free cash flow to pursue acquisitions, reduce debt, and sustain its current dividend (5.7% yield). We feel there is good value in the stock, as it trades at a meaningful discount compared to its ten-year median and its peer group multiples.

Our Thoughts On:

The Canadian Equity Market

2025 proved to be a historic year for Canadian equity markets, with the S&P/TSX Composite Index posting a total return of 32% and the S&P/TSX Canadian Dividend Aristocrats Index delivering a total return of 18%. Returns for the TSX during Q4 were driven primarily by earnings growth and dividends, as there was little change to the P/E multiple, which remains modestly above long-term averages. We believe Canada remains in a position of better value and healthy fundamentals relative to other developed market indexes.

In our view, certain key themes that drove the market higher during 2025 – such as the run-up in precious metals prices – seem unlikely to repeat in 2026. Conversely, areas of the market that lagged last year – in particular high quality Canadian compounders – are currently displaying some of the most attractive risk-reward profiles we have seen from this group in years. However, with the Bank of Canada having trimmed the policy rate by 75 basis points to a level it feels will keep inflation contained while still supporting the economy, Canadian stocks are unlikely to benefit from another meaningful round of interest rate cuts. With that said, Canadian dividend-paying equities still screen attractively against other income generating asset classes and remain well-positioned in the near term to benefit from fund flows into better yielding alternatives to cash and cash equivalents.

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 Canadian Equity Income Fund team maintains a robust inventory of potential investments and their risk-reward ratios, to monitor the best available opportunities. The Fund currently consists of 38 companies, of which 47% 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 addition, the portfolio's 5-year annual cash flow per share growth of 9% more than supports the 5-year annual dividend per share growth rate of 7%, which in our view reflects a healthy and sustainable dividend profile. In our view, the Fund's approach of investing in quality dividend payers at a reasonable price should lead to better risk-adjusted returns than the benchmark, over time.

Top 10 Holdings as of December 31, 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	6.1%	A Canadian diversified utility company engaged in electricity generation, transmission, and distribution, as well as natural gas transmission and distribution, and energy services.
Pembina Pipeline Corp	5.6%	A Canadian energy infrastructure company that transports, stores, and markets oil, natural gas, and natural gas liquids.
Toronto-Dominion Bank	5.1%	One of Canada's largest banks, offering a wide range of banking products and services, including retail banking, wealth management, and corporate banking.
Canadian Tire Corporation - Class A	4.1%	A Canadian retail company offering a variety of products including automotive, home, and sporting goods, as well as financial services.
Bank of Nova Scotia	4.0%	A major Canadian multinational banking and financial services company providing personal and commercial banking services.
Brookfield Infrastructure Partners	3.8%	A global infrastructure company that owns and operates diversified infrastructure assets across utilities, transport, midstream, and data sectors.
Sun Life Financial Inc.	3.4%	A Canadian financial services company providing insurance, wealth management, and asset management services globally.
Alimentation Couche-Tard Inc.	3.0%	A Canadian multinational operator of convenience stores, including the Circle K brand.
Canadian National Railway Co.	3.0%	Canada's largest railway company providing freight and passenger rail services across North America.
Total	**46.2%**	

Total may differ slightly due to rounding of individual holdings.

[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.

This material contains the current opinions of the author and such opinions are subject to change without notice. This material is distributed for informational purposes only. Forecasts, estimates, and certain information contained herein are based upon proprietary research and should not be considered as investment advice or a recommendation of any particular security, strategy or investment product. Past performance is not indicative of future results. All investments contain risk and may gain or lose value. Returns are net of fund expenses charged to date. This is not a sales solicitation. This investment is intended for tax residents of Canada who are accredited investors. Residency restrictions apply. Please read the relevant documentation for additional details and important disclosure information, including terms of redemption and limited liquidity. Please speak to your Nicola Wealth advisor for advice based on your unique circumstances. Nicola Wealth Management Ltd. (Nicola Wealth) is registered as a Portfolio Manager, Exempt Market Dealer and Investment Fund Manager with the required securities commissions.