Nicola U.S. Equity Income Fund
Quarterly Report | Q4 2025

Overview

The Nicola U.S. Equity Income Fund seeks to deliver a differentiated approach to U.S. equity investing by targeting high-quality companies with strong free cash flow, sustainable profitability, and compelling valuations. Through a research-intensive, bottom-up process, the Fund consists of a concentrated, all-cap portfolio that looks distinct from traditional benchmarks. With the strategic use of options to enhance income and manage entry points, the Fund aims to provide a combination of long-term capital growth and stable income in one of the world's most dynamic markets.

Highlights

Disciplined, long-term quality approach – A bottom-up process independently assesses quality, risk, and return potential, focusing on companies with sustainable competitive advantages.

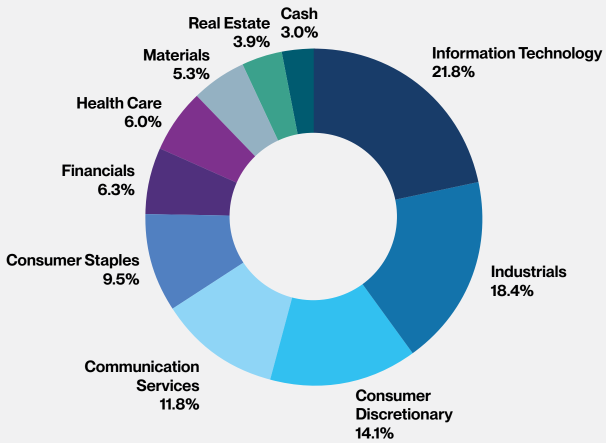
Strategic diversification – Access an "all cap" U.S. equity strategy that invests across diverse sectors, with concentrated positions based on compelling risk-reward assessment.

Bottom-up research-intensive process – The Fund uses a proprietary scoring of quality attributes made up of sustainable competitive advantages, financial metrics, and management strength; consideration of risk attributes related to regulation, geopolitical, macroeconomic, and obsolescence; and financial modelling to derive margin of safety.

Strategic use of options – The Fund may utilize call and put writing strategies to generate additional income and/or potentially acquire holdings at more desirable prices, provided the compensation is deemed sufficient.

Benchmark differentiation – Gain exposure to a portfolio that actively differs from benchmarks like the S&P 500, offering the potential for differentiated performance through unique holdings and flexible allocations.

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)	**24.4x**
Net Debt-to-Forward EBITDA	**1.0x**
Return on Equity	**32.4%**
# of Holdings	**34**
Dividend Yield [1]	**1.2%**

Returns as of December 31, 2025

	CAD	USD
YTD	**5.2%**	**10.2%**
1 month	**-2.1%**	**-0.3%**
3 month	**-1.8%**	**-0.4%**
6 month	**3.3%**	**2.6%**
1 year	**5.2%**	**10.2%**
3 year	**15.6%**	**15.1%**
5 year	**13.5%**	**11.8%**
10 year	**13.3%**	**13.4%**
Since inception*	**14.0%**	**12.1%**

**November 7, 2014*

Calendar Year Returns

	CAD	USD
2025	**5.2%**	**10.2%**
2024	**24.9%**	**14.9%**
2023	**17.5%**	**20.3%**
2022	**-2.4%**	**-8.6%**
2021	**24.7%**	**25.3%**
2020	**18.5%**	**20.8%**
2019	**24.3%**	**30.7%**
2018	**2.2%**	**-5.9%**
2017	**16.7%**	**24.6%**
2016	**5.3%**	**8.5%**

Performance

For Q4, the Nicola U.S. Equity Income Fund (USD) returned -0.4%. Top contributors to the Fund included:

1. **Intuitive Surgical Inc.:** ISRG reported a significant beat on Q3 earnings while raising guidance, driven by stronger than expected procedure volumes and rising utilization across the company's platform, while management meaningfully stepped up its pace of share repurchases during the quarter.
2. **LVMH SE.:** LVMH reported a broad-based beat on Q3 earnings, highlighted by Asia as revenue growth turned positive, with the recovery in China appearing to build momentum into 2026.
3. **Hyatt Hotels Corp.:** Hyatt reported in-line Q3 results along with stronger-than-expected guidance boosted by its new credit card agreement (which is set to contribute faster than expected) and ongoing transformation to an asset-light company.

Bottom contributors to the Fund included:

1. **ServiceNOW Inc.:** Despite ServiceNOW delivering a beat on Q3/25 results and raising guidance, the high-multiple stock declined alongside the broader software subsector and investors questioned the announced acquisition of cybersecurity firm Armis including its implications on future capital allocation priorities.
2. **Netflix Inc.:** Netflix has been engaged in a bidding war against Paramount for the acquisition of Warner Brothers, which potentially signals a pivot from its traditional preference for organic growth.
3. **Meta Platforms Inc.:** Despite Meta beating estimates on Q3 results, investors questioned management's intentions to "invest aggressively" in AI initiatives; the company expects capital expenditures growth to be "notably larger" next year as well as operating expenses growth to run "significantly faster" driven by infrastructure costs and employee compensation.

Assets under management was US$559.9M as of the end of December.

New Investments and Divestments

The Fund initiated long positions in the following companies:

- **Gartner Inc.:** The leading enterprise research and advisory firm offers durable competitive moats in the form of its proprietary research, experienced advisory team, and a robust salesforce (which remains unmatched by its peers). We suspect the stock is being unfairly punished by broader AI and macroeconomic concerns, presenting an opportunity to buy a company with a strong track record of navigating cyclical downturns.
- **Tetra Tech Inc.:** A leading consulting and design firm differentiated through its significant exposure to attractive water end markets and higher-quality upfront services, as well as its best-in-class expertise and corporate culture translating into meaningfully better employee retention and win rates relative to peers. Valuations had compressed with the loss of USAID work (which we note was margin-dilutive), creating an attractive entry point for a company that represents a high earnings compounder within the Industrials sector.

Our Thoughts On:

The U.S. Market

We observed a slight broadening out of performance for the U.S. markets during Q4 of 2025 which saw the Healthcare sector leading (as Trump appeared to ease regulatory pressure on drugmakers) with the Information Technology sector middling. We noticed intensifying concerns around the sustainability of AI tailwinds as investors questioned various investments in AI initiatives while debt issuances picked up. Meanwhile, despite the Fed cutting interest rates in December as inflation eased unexpectedly and unemployment increased to 4.6% (a level not seen since the depths of COVID), the market remained skeptical of whether the cut was appropriate given the meaningful gaps in economic data collection following the lengthy government shutdown.

We firmly adhere to our core investment philosophy and process of "Quality at a Reasonable Price" to achieve our goal of capital preservation and maximizing long-term compounding. We believe that high-quality investments will outperform over time. Currently, the Fund's portfolio is overweight relatively acyclical sectors like communication services and consumer staples, while underweight in higher-growth, more macro-sensitive sectors such as technology, financials, and energy due to either valuation and/or quality concerns.

Our Fund

Our investment philosophy and process is unchanged, and in our view, the style of Quality at a Reasonable Price should lead to attractive risk-adjusted returns over time. 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 track record, balance sheet health, consistency of profits and cash flow, and attractiveness of return on equity and return on invested capital.

Top 10 Holdings as of December 31, 2025

Holdings	Weight	Description
Microsoft Corporation	5.6%	Global technology leader offering a comprehensive suite of software, cloud services, and devices for business and personal use.
Union Pacific Corp	4.5%	Major U.S. railroad operator providing freight transportation services across a vast network linking the West Coast and Midwest.
Visa Inc. – Class A	4.3%	Global leader in digital payments, enabling secure and seamless transactions for consumers, businesses, and governments worldwide.
Amazon.com Inc	4.3%	Global e-commerce and cloud computing giant with additional operations in digital media, logistics, and artificial intelligence.
Intuitive Surgical Inc	4.2%	Innovator in robotic-assisted, minimally invasive surgery systems, including the market-leading da Vinci platform.
Nvidia Corp	4.0%	Designer of graphics processing units (GPUs) and AI computing platforms powering gaming, data centers, and autonomous vehicles.
L'Oréal S.A.	4.0%	World's largest beauty company, offering cosmetics, skincare, and personal care products across a portfolio of global brands.
AT&T Inc	4.0%	Telecom and media conglomerate offering wireless, broadband, and video services across the U.S. and Latin America.
Waste Connections Inc	3.8%	Leading solid waste services company operating an integrated network of collection, transfer, recycling, and disposal assets with long-term contracted revenues across North America.
Deere & Company	3.7%	Leading manufacturer of agricultural, construction, and forestry equipment with strong global brand recognition through John Deere.
Total	**42.3%**	

[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.*