PUBLIC ASSETS

Nicola Canadian Equity Income Fund
Quarterly Report | Q1 2026

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

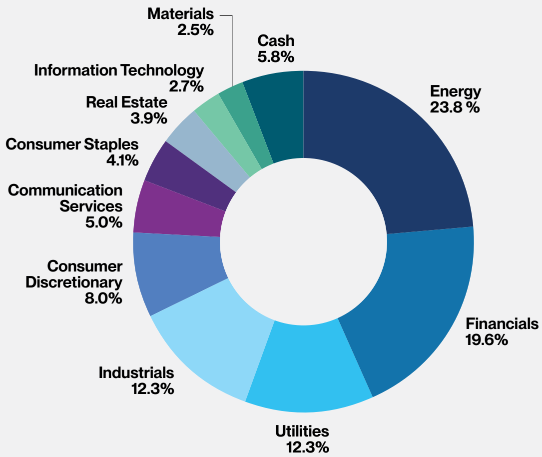
Long-term, quality-focused – The Fund uses an independent, bottom-up process to determine a proprietary quality score for a company and minimum return threshold for its stock. While investments may be held indefinitely, the Fund targets a three to five year holding period.

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 March 31, 2026



May not add up to 100% due to rounding.

Equity Characteristics

Forward Price-to-Earnings (P/E)	**16.9x**
Enterprise Value-to-EBITDA	**10.4x**
Net Debt-to-Forward EBITDA	**3.2x**
Return on Equity	**17.8%**
# of Holdings	**44**
Dividend Yield [1]	**3.6%**

Returns as of March 31, 2026

YTD	**5.3%**
1 month	**-1.6%**
3 month	**5.3%**
6 month	**7.9%**
1 year	**23.9%**
3 year	**14.8%**
5 year	**12.1%**
10 year	**9.7%**
Since inception*	**7.7%**

**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

Nicola Canadian Equity Income Fund (CEIF) returned +5.3% in Q1, which also represents the YTD return for 2026. As of the end of March, the 5-year and 10-year annualized returns were +12.1% and +9.7%, respectively. Q1 performance was aided by strong returns from the following investments:

1. **Canadian Natural Resources (+47.3% Q1):** Largest, lowest-cost, and longest-reserve-life producer of oil and gas in the Canadian oil sands. Amongst a beneficial backdrop of rising oil prices, positive performance was further supported by the integration of several high-value acquisitions and a major reduction in operating capital requirements.
2. **Whitecap Resources Inc (+38.3% Q1):** A conventional oil and gas liquids producer that has launched itself into the "large cap" producer category after years of acquisitions. WCP's dividend and sustaining capex are well-supported at today's elevated oil prices and remain so even if oil prices were to dip below $50.
3. **Secure Waste Infrastructure (+26.4% Q1):** Secure Waste Infrastructure is the leader in industrial waste management, operating a hard-to-replicate infrastructure network in Western Canada. This position also benefited from the energy sector lift, along with the stabilization of the company's metals recycling business following weakness in the prior year due to tariff concerns.

The top three detractors to performance were:

Constellation Software (-26.0% Q1): An acquirer and optimizer of vertical market software (VMS) companies with a historically supportive performance track record. Recently, the stock has come under pressure on fears that AI could disrupt its businesses. CSU is not alone in this regard, as most of the broader software complex has sold-off on the same concerns. While we acknowledge it is challenging to disprove a negative (i.e., that AI won't disrupt software) in the near-term, we believe CSU has the ability to navigate (and acquire) its way through this transition and return to its historical pace of compounding.

CGI Inc (-19.7% Q1): CGI Group (GIB) is a global IT services and consulting firm with a strong track record of disciplined acquisition growth and generating free cash flow. GIB's build-and-buy business strategy continues to deliver attractive profit margins and 20% ROEs, while maintaining a healthy balance sheet. Its share price felt the impact of AI-related uncertainty as it pertains to GIB's ability to retain clients and grow organically.

TerraVest Industries Inc (-19.5% Q1): TerraVest is an acquirer of industrial manufacturing and services companies with a competitive advantage in buying steel. The stock has been weak this year following continued soft demand in the U.S. tank trailer industry, which has affected one of TVK's larger subsidiaries, Entrans. We view the challenges facing this industry as cyclical in nature and see a path to recovery as demand visibility improves.

During the quarter, 43% of portfolio holdings increased their base dividends. On a trailing 12-month basis, 85% of portfolio holdings increased their base dividends.

Assets under management were $968.5 million as of the end of March.

New Investments / Exits

During the quarter, Nicola CEIF found opportunities to improve the portfolio's quality and yield characteristics. Compelling risk-reward profiles led to the introduction of five new positions (details below). These new positions were funded in part through the exit of Bank of Nova Scotia and Canadian Pacific Kansas City.

New Investments

Capital Power Corp (CPX) – CPX is a quality business operating a power-generation network of natural gas-fired and renewable energy facilities that is difficult to replicate – underpinning the industry's high barriers to entry. With 75% of revenues contracted or hedged and 90% of those with A-rated counterparties, CPX offers a diversified earnings profile with potential upside from data center demand along with a healthy 4.1% dividend yield.

EQB Inc (EQB) – Canada's seventh largest bank by assets. It recently acquired PC Financial, which we believe broadens t its product lines and creates a long runway for significant earnings growth. With strong self-help opportunities, a healthy balance sheet, double-digit dividend CAGR, and a cornerstone investor in Loblaw, we feel EQB's shares are undervalued today.

Hammond Power Solutions Inc (HPS) – HPS is the largest manufacturer of dry-type transformers in North America and has been in business since 1917. With a market share of 23%, HPS is well-positioned to benefit from multiple secular trends such as power demand from AI data centers and the broader electrification trend from utilities. We believe these dynamics can provide structural growth tailwinds for HPS that should further complement its healthy balance sheet, strong dividend growth track record, and attractive returns on invested capital.

iA Financial (IAG) – One of Canada's leading insurance and wealth management companies. A compelling entry point emerged in this Canadian insurer after the shares pulled back following its fourth quarter earnings report. We believe the drivers behind the pullback are transitory and see IAG as well-positioned to both expand ROE and continue its sector-leading book-value-per-share growth across our investment horizon.

Topaz Energy Corp (TPZ) – A Canadian energy royalty business that distinguishes itself via non-operated ownership of primarily gas processing infrastructure. While the company's royalties are largely earned on natural gas production, it is also exposed to one of the fastest-growing and attractive oil plays in Canada—the Clearwater. We like the low capital requirements stemming from its royalty structure, its healthy balance sheet, and growing dividend that currently yields 4.5%.

Our Thoughts On:

The Canadian Equity Market

The Canadian equity market kicked off 2026 strongly, with the S&P/TSX Composite Index returning 8.4% over the first two months. This was partially offset in March as the market pulled back on heightened volatility and uncertainty tied to the Middle East conflict. YTD, the S&P/TSX Composite Index posted a 3.9% return while the S&P/TSX Canadian Dividend Aristocrats Index delivered 6.8%. Q1 returns were supported by earnings growth and dividends, as the P/E multiple for the TSX Composite trended lower (though holding above its historical average). We believe Canada remains in a position of better value and healthy fundamentals relative to other developed market indexes.

In our view, there were a few key themes that emerged in Q1 which led to a divergence in sector performance. Earlier in the year, fears over AI disruption ignited a sell-off in technology stocks. Subsequently, growing concerns over the Middle East conflict prompted oil prices to rise more than 75% over the quarter and redirected capital into the energy sector. While CPI data released up to February shows inflation to be relatively contained, it remains uncertain how recent geopolitical events and rising oil prices will weigh on its future trajectory. Even though the current macro environment remains volatile, we see this as an opportunity to pick up quality names trading below fair value. 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 higher-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 CEIF team maintains a robust inventory of potential investments and their risk-reward ratios, in order to monitor the best available opportunities. The Fund currently consists of 40 companies, of which 40% 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. The portfolio's 5-year annual growth in fundamentals can reasonably support its 5-year annual dividend per share growth, 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 March 31, 2026

Holdings	Weight	Description
Gibson Energy Inc.	7.4%	A Canadian energy infrastructure company providing services related to the storage, transportation, and marketing of petroleum products.
Canadian Utilities Ltd	6.0%	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	4.3%	A Canadian energy infrastructure company that transports, stores, and markets oil, natural gas, and natural gas liquids.
Canadian Tire Corporation - Class A	4.3%	A Canadian retail company offering a variety of products including automotive, home, and sporting goods, as well as financial services.
Sun Life Financial Inc.	3.6%	A Canadian financial services company providing insurance, wealth management, and asset management services globally.
Brookfield Infrastructure Partners	3.5%	A global infrastructure company that owns and operates diversified infrastructure assets across utilities, transport, midstream, and data sectors.
Capital Power Corp.	2.9%	Develops, acquires, owns, and operates power generation facilities across North America with a portfolio spanning natural gas and renewable energy assets.
Tourmaline Oil Corp.	2.9%	A Canadian oil and gas exploration and production company focused on natural gas, oil, and liquids in western Canada.
Brookfield Asset Management - A	2.8%	A global asset management company with operations across real estate, infrastructure, renewable energy, and private equity.
BCE Inc.	2.7%	A leading Canadian Communication company, providing broadband, TV, and wireless services through its Bell brands.
Total	**40.2%**	

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.