NICOLA WEALTH
PUBLIC ASSETS

Nicola U.S. Equity Income Fund
Quarterly Report | Q1 2026

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.

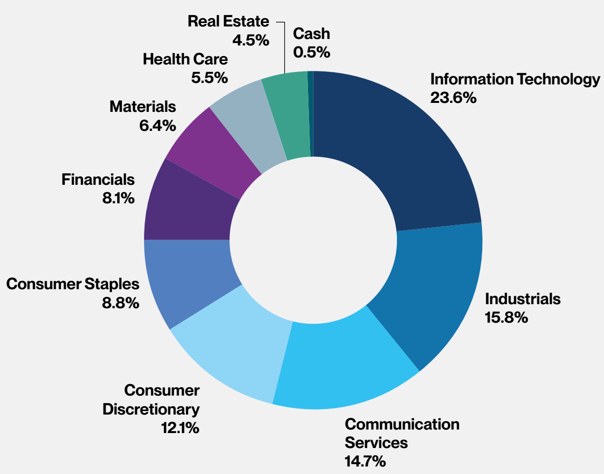
Strategic diversification – Access an "all cap" U.S. equity strategy that invests across diverse sectors, with concentrated positions based on compelling risk-reward assessment.

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 March 31, 2026



May not add up to 100% due to rounding.

Equity Characteristics

Forward Price-to-Earnings (P/E)	**22.2x**
Net Debt-to-Forward EBITDA	**1.0x**
Return on Equity	**35.1%**
# of Holdings	**34**
Dividend Yield [1]	**1.2%**

Returns as of March 31, 2026

	CAD	USD
YTD	**-6.0%**	**-7.3%**
1 month	**-5.5%**	**-7.4%**
3 month	**-6.0%**	**-7.3%**
6 month	**-7.7%**	**-7.7%**
1 year	**2.3%**	**5.7%**
3 year	**11.5%**	**10.5%**
5 year	**11.1%**	**8.9%**
10 year	**13.4%**	**12.6%**
Since inception*	**13.1%**	**11.1%**

**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 Q1, the Nicola U.S. Equity Income Fund (USD) returned -7.3%. Top contributors to the Fund included:

1. **Deere & Co.:** Deere delivered a meaningful beat on Q1 results and raised guidance, driven by its small agriculture and construction businesses, while the large agriculture business appears to have bottomed. The stock also benefited from a broader market rotation into higher-quality Industrial names.

2. **AT&T Inc.:** AT&T released strong Q4 results and provided 2028 guidance (including a substantial capital return program) which beat consensus estimates. The stock also benefited from a broader market rotation into more defensive names.

3. **Linde PLC.:** Linde reported a beat on Q4 results and provided in-line guidance, even assuming no improvement in the macroeconomic environment. The stock also benefited from its growing exposure to the expanding space industry, as well as a broader market rotation into higher-quality Industrial names.

Bottom contributors to the Fund included:

1. **ServiceNOW Inc.:** Despite ServiceNOW delivering a beat on Q4 results and confirming that sizable near-term M&A is off the table, the stock came under pressure as broader AI software disruption concerns persisted.

2. **Microsoft Corp.:** Microsoft reported a slight miss on Q2 Azure growth, as supply constraints forced management to allocate compute resources to first party apps and internal R&D initiatives. The stock also came under pressure as broader AI software disruption concerns persisted.

3. **LVMH SE:** Consumer sentiment appears to have weakened since the escalation of the Middle East conflict, as the risk of higher oil prices and inflation may result in lower discretionary spending. While the Middle East represents a small proportion of revenues for LVMH, the region has historically been a higher-growth market relative to other international markets.

Assets under management were USD$512.9 million as of the end of March.

New Investments and Divestments

USEIF initiated long positions in the following companies:

- **Apple Inc.:** Apple is one of the highest quality names within our investment universe trading at a reasonable valuation, with the stock having declined approximately 14% from its all-time high. With moats from network effects across its user and developer base, high switching costs due to platform lock-in, and intangible value given its highly reputable brand.

- **Moody's Corp.:** Moody's is a high-quality name that we have held previously,, with valuation compressed (the stock had declined approximately -13% year-to-date) on what we view as overstated fears of AI disintermediation.

- **Motorola Solutions Inc.:** Motorola provides mission-critical public safety technology. We view the investment as a defensive position within technology, relatively insulated from AI disruption, while offering a durable and recurring-revenue model built around the customer need for reliability.

USEIF partially funded these positions with exits from Watsco Inc., Gartner Inc., and Copart Inc.

Our Thoughts On:

The U.S. Market

The S&P500 experienced a volatile and challenging quarter, marked by a sharp reversal in March following the geopolitical shockwaves from the military conflict involving the U.S., Israel, and Iran, which triggered an energy crisis following the closure of the Strait of Hormuz. Oil prices topping $100 for the first time since 2022, with the Energy sector led performance by a wide margin and sparking concerns over affordability and consumer health. Risk-off markets were also influenced by a lowered GDP outlook from China (its least ambitious target since the early 1990s), as well as ongoing skepticism regarding private credit markets. Given the risk of higher inflation, the path for future Fed interest rate cuts remains uncertain.

Meanwhile, the rapidly evolving AI landscape, punctuated by product launches from Anthropic and the hyperscalers, continued to weigh on investor sentiment regarding the sustainability of existing software business models. This uncertainty extended to potential impacts on other industries, including brokers, information services, consulting, engineering, and banks.

We adhere to our core investment philosophy and process of "Quality at a Reasonable Price," to support our goals of capital preservation and long-term compounding. We believe high-quality investments will outperform over time. Nicola USEIF's portfolio is currently overweight acyclical sectors such as communication services and consumer staples, and underweight in higher-growth, more macro-sensitive sectors such as technology, financials, and energy due to either valuation or quality concerns.

Our Fund

Our investment philosophy and process remain unchanged, and in our view, the style of Quality at a Reasonable Price should support attractive risk-adjusted returns over time. Investment selection is largely based on a bottom-up process that employs a scorecard approach, assessing a company's quality across four key attributes: sustainable competitive advantages, capital allocation track record, balance sheet health, and return on equity and return on invested capital.

Top 10 Holdings as of March 31, 2026

Holdings	Weight	Description
Waste Connections Inc	4.3%	Leading solid waste services company operating an integrated network of collection, transfer, recycling, and disposal assets with long-term contracted revenues across North America.
AT&T Inc	4.3%	Telecom and media conglomerate offering wireless, broadband, and video services across the U.S. and Latin America.
Visa Inc. – Class A	4.2%	Global leader in digital payments, enabling secure and seamless transactions for consumers, businesses, and governments worldwide.
Nvidia Corp	4.2%	Designer of graphics processing units (GPUs) and AI computing platforms powering gaming, data centers, and autonomous vehicles.
Netflix Inc.	4.2%	Global subscription streaming service offering original films, TV series, and licensed content across a variety of genres.
Union Pacific Corp	4.1%	Major U.S. railroad operator providing freight transportation services across a vast network linking the West Coast and Midwest.
Intuitive Surgical Inc	3.9%	Innovator in robotic-assisted, minimally invasive surgery systems, including the market-leading da Vinci platform.
Linde Plc	3.8%	World's largest industrial gas company, supplying gas and process technologies to various industries globally.
Microsoft Corporation	3.8%	Global technology leader offering a comprehensive suite of software, cloud services, and devices for business and personal use.
L'Oréal S.A.	3.7%	World's largest beauty company, offering cosmetics, skincare, and personal care products across a portfolio of global brands.
Total	**40.5%**	

[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.