NICOLA WEALTH
PUBLIC ASSETS

Nicola Canadian Equity Income Fund Quarterly Report | Q2 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.

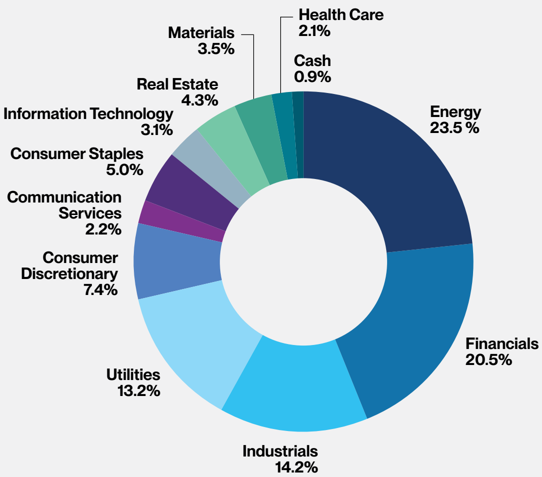
Highlights

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.

HOLDINGS BY SECTOR as of June 30, 2026



May not add up to 100% due to rounding.

Equity Characteristics

Forward Price-to-Earnings (P/E)	**17.7x**
Enterprise Value-to-EBITDA	**11.0x**
Net Debt-to-Forward EBITDA	**3.1x**
Return on Equity	**15.3%**
# of Holdings	**40**
Dividend Yield [1]	**3.0%**

Returns as of June 30, 2026

YTD	**13.6%**
1 month	**2.9%**
3 month	**7.9%**
6 month	**13.6%**
1 year	**22.4%**
3 year	**18.2%**
5 year	**12.5%**
10 year	**10.4%**
Since inception*	**8.0%**

**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 CEIF returned +7.9% in Q2, bringing the YTD return to +13.6%. As of June 30, the 5-year and 10-year annualized returns were +12.5% and +10.4%, respectively. The top three performing holdings in Q2 were:

1. **Hammond Power Solutions Inc (+98.2% Q2):** Hammond's stock surged on continued electrification, data center, and AI power-demand tailwinds, which have driven high-double-digit growth in revenue backlog for the company's power transformers. We pared the Fund's position in HPS because of a compressed risk-reward ratio.
2. **TFI International Inc (+35.3% Q2):** Signs of recovery in the 42-month freight recession lifted transportation stocks, with tighter capacity supporting higher freight rates as volumes improved. We trimmed the Fund's position in TFII because of a compressed risk-reward ratio.
3. **Toronto-Dominion Bank (+33.8% Q2):** Canada's Big Six banks posted healthy earnings and benefited from OSFI's reduction of bank capital requirements. Valuations have risen near 30-year highs on consistent EPS beats, supported by diversified revenues, margin improvement, and share repurchases.

The bottom three performers were:

1. **Stantec (-18.5% Q2):** Despite solid Q1 results, engineering consultants remain pressured by AI disruption fears. We continue to see global infrastructure initiatives supporting healthy organic growth for STN over the medium term. With valuation multiples near decade lows and in line with long-term averages, we have been adding to the Fund's position.
2. **Canadian Natural Resources (-16.6% Q2):** The U.S.-Iran ceasefire drove a sharp correction in crude benchmarks, with WTI and Brent down 31% and 38%, respectively, returning near pre-war levels and pressuring energy stocks like CNQ. After trimming the Fund's overweight position during the height of the conflict, we exited the remaining position (see Exits).
3. **Pet Valu Holdings Ltd. (-13.5% Q2):** Shares fell after management lowered annual guidance, as value-seeking consumers and rising fuel costs are expected to further weigh on margins. While industry catalysts have been delayed, we believe management is executing within its means, opening new stores at stable economics and growing free cash flow per share after a period of significant investment.

During the quarter, 20% of portfolio holdings increased their base dividends. On a trailing 12-month basis, 93% of portfolio holdings increased their base dividends.

Assets under management were $1.0 billion as of the end of June.

New Investments / Exits

During the quarter, compelling risk-reward profiles led to the introduction of three new positions (details below). These were funded in part through the exit of four holdings.

Exits

TELUS (T) – Communication Services remains one of our least favored sectors due to regulatory pressure, slower population growth, and weak capital allocation. We exited T and recycled proceeds into higher-yielding areas such as utilities and financials.

Finning International (FTT) – We sold FTT because of a highly compressed reward-to-risk ratio. We continue to rate it as a Quality company and will monitor for an opportunity to own it again at better value.

Great-West Lifeco (GWO) – Similar to the banks, Lifeco P/E multiples moved well-above historical averages, with GWO leading the group's YTD multiple expansion. This compressed the stock's risk-reward ratio and drove our decision to exit.

Canadian Natural Resources (CNQ) – CNQ was volatile due to the U.S.-Iran war. We reduced the position to a relative underweight on a slim reward-to-risk ratio, redirected proceeds into Topaz Energy, and exited the remaining CNQ position in Q2.

New Investments

Element Fleet Management (EFN) – EFN is the world's largest publicly traded fleet management company, providing vehicle financing and fleet services to corporate and government customers. We view EFN as a high-quality compounder, supported by a dominant market position, sticky customer relationships, growing recurring service revenues, and strong free cash flow generation. Following a more than 30% peak-to-trough share price decline, we believe the market is underappreciating EFN's ability to continue expanding margins, ROE, and dividends per share.

Premium Brands Holdings (PBH) – PBH is a North American manufacturer and distributor of specialty and premium foods for a diversified customer base, which includes partnerships with Costco and Starbucks. We believe the risk-reward is attractive given that PBH is at a free cash flow inflection point, moving from expansion to utilization of excess capacity. This provides an opportunity to reduce leverage and for organic growth to drive meaningful margin expansion supporting a valuation re-rate.

Stella Jones (SJ) – SJ is a North American manufacturer of treated wood poles and ties that serve critical infrastructure such as telecom, electric utilities, and railroads. The company has an outstanding financial record driven by the dual engines of organic growth and disciplined M&A. Shares have declined from recent highs over concerns that greater competition will impact the prices of its wood products. We believe these concerns are overstated. SJ's long-standing (contracted) relationships with its customers and broad network across North America are competitive advantages that should defend against smaller, lower-quality peers.

Our Thoughts On:

The Canadian Equity Market

The Canadian equity market performed solidly in Q2 with the S&P/TSX Composite Index posting a 7.0% return and the S&P/TSX Canadian Dividend Aristocrats Index (TSXDA) delivering 7.7%. Combined with strong Q1 results, these two indices have generated very healthy returns in the first half of 2026, at 12.5% and 14.9%, respectively. Sentiment improved following de-escalation in the Middle East, driving a sharp rebound in equities in April and continued positive performance in May and June. Q2 gains for the TSXDA were supported by earnings growth, dividends, and P/E multiple expansion–which sits comfortably above one standard deviation from its ten-year average. Despite higher valuations, we continue to believe Canada offers better relative value and healthy fundamentals versus other developed market indices.

AI advancement, geopolitical fragmentation, and energy security continued to shape market sentiment in 2026, with events fueling worries about higher inflation and potential central bank rate hikes. The Bank of Canada maintained the overnight rate at 2.25% as it balanced a weak economy against inflation risks. Progress toward a resolution between the U.S. and Iran drove a reversal across the energy complex, with oil prices declining through the quarter after peaking in early April. However, lower energy prices were not enough to ease concerns of rate hikes, which weighed on precious metals and mining stocks. Financials were a key source of strength, as consistent earnings beats from banks and lifecos, along with OSFI's reduction of capital requirements for the big banks, helped many Canadian blue-chip financial stocks reach record highs. Overall, elevated macro uncertainty from the ongoing U.S.-Iran conflict and approaching CUSMA trade negotiations increased equity-market volatility. We intend to use this volatility to improve portfolio quality and enhance the Fund's reward-to-risk ratio but remain patient for opportunities as valuation multiples have climbed above long-term historical averages. Although dividend yields have compressed since the start of the year, Canadian dividend-paying equities continue to screen attractively and remain well positioned to attract flows from other income-generating asset classes.

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 reward-to-risk ratios, to monitor the best available opportunities. The Fund currently consists of 40 companies, of which 41% 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. We believe 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 June 30, 2026

Holdings	Weight	Description
Gibson Energy Inc.	6.5%	A Canadian energy infrastructure company providing services related to the storage, transportation, and marketing of petroleum products.
Canadian Utilities Ltd	6.2%	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	4.2%	A Canadian retail company offering a variety of products including automotive, home, and sporting goods, as well as financial services.
Topaz Energy Corp	3.8%	A Canadian energy royalty business that distinguishes itself via non-operated ownership of primarily gas processing infrastructure.
Capital Power Corp.	3.6%	Develops, acquires, owns, and operates power generation facilities across North America with a portfolio spanning natural gas and renewable energy assets.
Brookfield Infrastructure Partners	3.4%	A global infrastructure company that owns and operates diversified infrastructure assets across utilities, transport, midstream, and data sectors.
Brookfield Asset Management - A	3.3%	A global asset management company with operations across real estate, infrastructure, renewable energy, and private equity.
I.A. Financial Corporation Inc.	3.3%	A Canadian insurance and wealth management company offering various products and services, including life insurance, retirement planning, and investment management.
Toronto-Dominion Bank	3.2%	One of Canada's largest banks, offering a wide range of banking products and services, including retail banking, wealth management, and corporate banking.
Total	**41.8%**	

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.*