NICOLA WEALTH
PUBLIC ASSETS

Nicola U.S. Equity Income Fund
Quarterly Report | Q2 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.

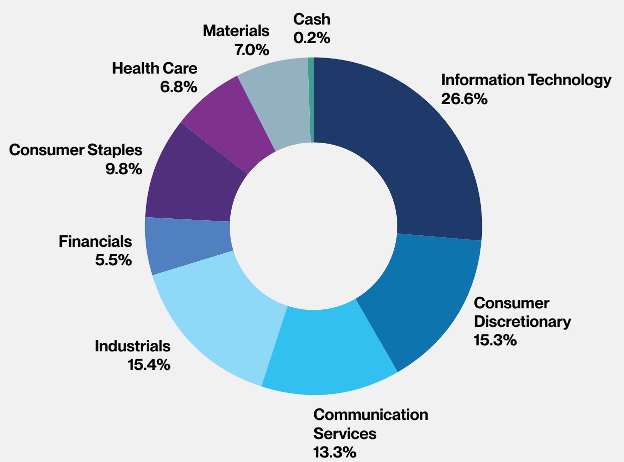
Strategic diversification – Access an "all cap" U.S. equity strategy that invests across diverse sectors, with concentrated positions based on compelling risk-reward assessment.

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 June 30, 2026



May not add up to 100% due to rounding.

Equity Characteristics

Forward Price-to-Earnings (P/E)	**21.0x**
Net Debt-to-Forward EBITDA	**0.6x**
Return on Equity	**40.0%**
# of Holdings	**33**
Dividend Yield [1]	**1.0%**

Returns as of June 30, 2026	CAD	USD
YTD	-0.7%	-3.9%
1 month	-0.3%	-3.1%
3 month	5.7%	3.6%
6 month	-0.7%	-3.9%
1 year	2.7%	-1.5%
3 year	12.5%	9.9%
5 year	11.3%	8.3%
10 year	14.0%	13.0%
Since inception*	13.3%	11.2%

*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 Q2, the Nicola U.S. Equity Income Fund (USD) returned +3.6%. Top contributors to the Fund included:

1. **Hyatt Hotels Corp.:** Hyatt reported better-than-feared Q1 results as investors were bracing for geopolitical disruptions and announced strong medium-term growth targets at its Investor Day. The stock also benefited from FIFA World Cup tailwinds, as well as a rejection of a competing private island development in Mexico.
2. **NVIDIA Corp.:** NVIDIA announced in-line Q1 results alongside a guidance raise and a robust shareholder return program. Management provided incremental details on the company's CPU products, which appear to be comparable in magnitude to the programs at leading competitors, including Advanced Micro Devices and Intel.
3. **Visa Inc.:** Visa reported strong Q2 results driven by its higher-growth Value Added Services segment, helping assuage investor fears of AI and stablecoin disruption.

Bottom contributors to the Fund included:

1. **AT&T Inc.:** The broader telecom sector has sold due to concerns about SpaceX meaningfully penetrating the wireless business. Our view is that: (1) current Starlink products are structurally inferior to terrestrial offerings in terms of latency and upload capabilities (due to the incumbents' significant investments in fiber and spectrum), and (2) the telecom industry is lower-growth and relatively less attractive for SpaceX to allocate meaningful capital into over the longer-term, particularly relative to the company's adjacent rocket and AI businesses.
2. **Netflix Inc.:** The stock has been under pressure due to fears of engagement loss to short-form competitors and World Cup viewing. With the stock trading at levels comparable to when management was pursuing the Warner Brothers acquisition, we believe valuations are highly attractive given: (1) core engagement statistics actually reported, and (2) the growth and margin profile Netflix is capable of delivering.
3. **Intuitive Surgical Inc.:** Despite delivering better-than-expected Q2 2026 financial results, the high-multiple stock continues to be challenged by ongoing debates around the growth trajectory (including fears of third-party remanufactured instruments), competition, and broader macro weakness. We believe these concerns are overblown; our understanding is that the uptake of third-party remanufactured instruments remains limited, and the Intuitive Surgical platform maintains a significant competitive position in the sector.

Assets under management were USD 516.0 million as of the end of June.

New Investments and Divestments

USEIF initiated long positions in the following companies:

- **Home Depot Inc.:** Home Depot is a company we have owned previously and was trading at an attractive entry point, with valuations punished due to affordability headwinds and uncertainties around its expansion into the complex Pro market. We believe the housing market will normalize, and management will remain disciplined in targeting new market segments.
- **Stryker Corp.:** Stryker is a medical device company with an excellent track record of execution and M&A, underpinned by a decentralized yet specialized culture and sales force. With the broader medtech industry having derated in recent months due to a mix of concerns over insurance coverage, Middle East disruption, and cyberattacks, we believe Stryker is oversold. As a company with a proven track record of execution, we have conviction in its ability to continue delivering double-digit revenue and earnings growth.

USEIF partially funded the aforementioned positions with divestitures in CubeSmart and Prologis Inc.

Our Thoughts On:

The U.S. Market

S&P 500 performance during the quarter can be best defined as a narrow, risk-on, high-beta, low-quality, high-P/E, and (most importantly) AI infrastructure-led rally with the SOX Semiconductor Index rising an unprecedented +88% in Q2. Performance in AI-related subsectors including semiconductors, semiconductor equipment, and technology hardware significantly outstripped even highly pro-cyclical subsectors such as banks, transportation, and autos. The AI trade (including the highly anticipated debut of SpaceX) overshadowed uncertainties in other parts of the economy including the ongoing US/Iran conflict and at the Fed, where new Chair Warsh refused to submit his own "dot plot" forecast.

Simply put, quality and low-volatility mandates haven't performed well in momentum-driven, concentrated markets. We remain cautious about the AI trade given that: (1) it is still unclear to us whether the potential ROI that is ultimately captured by customers and end users justify this infrastructure buildout; (2) there is little visibility over the medium-term, mirroring cyclical "gold rushes" of the past; and (3) a meaningful portion of our portfolio is already tied to technology on an absolute basis. However, we are not dogmatic in our beliefs and have always been, and continue to be, exploring areas of the AI value chain to participate, albeit with the requirement that any potential investment still clears our quality and valuation hurdles. Should the market normalize, we have greater conviction that higher-quality companies maintain their competitive footing and regain their growth trajectories over the long term relative to their lower-quality counterparts.

As such, we believe firmly to adhering to our "Quality at a Reasonable Price" philosophy and process to achieve our goal of capital preservation and long-term wealth compounding. We believe that high-quality investments will outperform over time. Currently, the Nicola USEIF's portfolio is overweight relatively acyclical sectors such as communication services and consumer staples, while underweight in higher-growth, more macro-sensitive sectors such as technology, financials, and energy due to valuation and/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 lead to attractive risk-adjusted returns over time. Investment selection is largely based on a bottom-up process that employs a scorecard approach to assess a company's quality across four key attributes: sustainable competitive advantages, capital allocation track record, balance sheet health, and the attractiveness of its return on equity and return on invested capital.

Top 10 Holdings as of June 30, 2026

Holdings	Weight	Description
Nvidia Corp	5.2%	Designer of graphics processing units (GPUs) and AI computing platforms powering gaming, data centers, and autonomous vehicles.
Microsoft Corporation	4.8%	Global technology leader offering a comprehensive suite of software, cloud services, and devices for business and personal use.
Visa Inc. – Class A	4.7%	Global leader in digital payments, enabling secure and seamless transactions for consumers, businesses, and governments worldwide.
Waste Connections Inc	4.4%	Leading solid waste services company operating an integrated network of collection, transfer, recycling, and disposal assets with long-term contracted revenues across North America.
Union Pacific Corp	4.1%	Major U.S. railroad operator providing freight transportation services across a vast network linking the West Coast and Midwest.
Meta Platforms Inc. – Class A	4.1%	Provider of digital social platforms including Facebook, Instagram, and WhatsApp, with a focus on advertising and virtual reality technologies.
Alphabet Inc	4.0%	Holding company of Google, delivering search, cloud services, digital advertising, and mobile software through a wide range of platforms.
Linde Plc	4.0%	World's largest industrial gas company, supplying gas and process technologies to various industries globally.
L'Oréal S.A.	4.0%	World's largest beauty company, offering cosmetics, skincare, and personal care products across a portfolio of global brands.
Amazon.com Inc	3.9%	Global e-commerce and cloud computing giant with additional operations in digital media, logistics, and artificial intelligence.
Total	**43.2%**	

[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.