NICOLA WEALTH
PUBLIC ASSETS

Nicola Canadian Equity Income Fund Quarterly Report | Q3 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.

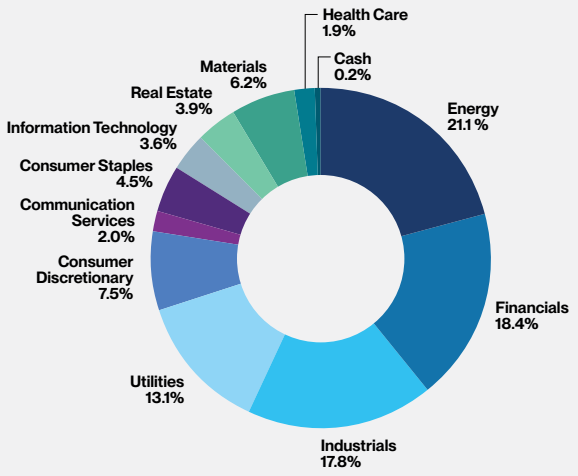
Highlights

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 September 30, 2026



May not add up to 100% due to rounding.

Equity Characteristics

Forward Price-to-Earnings (P/E)	**16.6x**
Enterprise Value-to-EBITDA	**11.0x**
Net Debt-to-Forward EBITDA	**3.1x**
Return on Equity	**14.5%**
# of Holdings	**40**
Dividend Yield [1]	**3.1%**

Returns as of September 30, 2026

YTD	**10.5%**
1 month	**-3.1%**
3 month	**-2.8%**
6 month	**4.9%**
1 year	**13.2%**
3 year	**17.9%**
5 year	**11.7%**
10 year	**9.2%**
Since inception*	**7.8%**

**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 -2.8% in Q3, bringing the year-to-date return to +10.5%. As of September 30th, the 5-year and 10-year annualized returns were +11.7% and +9.2% respectively. The fund's top three performing holdings during Q3 were:

1. **Whitecap Resources (WCP; +20.7% Q3):** WCP benefited from rising oil prices and encouraging announcements on pipeline builtouts and energy policy. From the end of Q2 through mid-September, WCP shares were up 30%+ before giving back some gains as oil prices settled lower toward month-end. We continue to view WCP as a healthy source of income and growth for us in the exploration and production space, supported by a well-covered dividend and a strong balance sheet.
2. **Secure Waste Infrastructure (SES; +11.6% Q3):** Following the announced acquisition of SES by GFL Environmental in April of this year, SES shares have largely tracked those of GFL—understandable given deal compensation of 80% stock and 20% cash. Accordingly, GFL shares appreciated throughout Q3 on news that the company is exploring a take-private transaction with talks advancing as the quarter progressed. The acquisition closed September 1.
3. **Gibson Energy (GEI; +7.5% Q3):** GEI also benefited from the broader tailwinds enjoyed by Canadian energy, though its midstream business is less sensitive to oil prices than producers such as WCP. Government commitments to faster approval timelines for Canadian egress expansion projects also played a factor in improving sentiment around company shares during the quarter. We continue to view GEI as a quality business with a healthy balance sheet, capable of delivering steady cash flow and dividend growth supported by long-term contracted infrastructure assets.

The bottom three performers were:

1. **Element Fleet Management (EFN; -22.1% Q3):** Despite a positive start to the quarter, shares of EFN later came under pressure following Q2 results that led to investor concerns about slowing loan originations and services growth, rising bond yields, and negative sentiment toward the proposed acquisition of FleetPartners Group. Although EFN ultimately decided to walk away from the deal due to valuation, prospects of the deal going through affected share price performance throughout the quarter. While Q3 posed challenges, we believe EFN's leading market position, recurring revenue base, strong track record of customer retention, and robust free cash flow generation position the company for continued growth in margins, return on equity, and dividends per share over the long term.
2. **Capital Power Corp (CPX; -16.1% Q3):** CPX faced headwinds from rising bond yields, which weighed on valuation multiples across interest-rate sensitive sectors such as utilities. Shares were further pressured by growing political unease around data centers and the impact the AI buildout will have on U.S. electricity prices, particularly in the mid-Atlantic/midwest transmission area—a data center hub that is a core market for CPX. Despite near-term weakness, we believe Capital Power is well-positioned to benefit from long-term growth in electricity demand driven by data centers, industrial electrification, and tightening power markets in both Alberta and the United States.
3. **Intact Financial Corp (IFC; -15.5% Q3):** IFC shares declined following weaker-than-expected Q2 results, driven by elevated catastrophe losses across the Canadian and UK businesses. Rising bond yields also added to broader industry pressure. Despite the near-term setback, we believe IFC's scale advantages, disciplined underwriting, and diversified platform can continue to support attractive long-term operating return-on-equity and drive further growth.

During the quarter, 15% of portfolio holdings increased their base dividends. On a trailing 12-month basis, 88% of portfolio holdings increased their base dividends.

Assets under management were CAD $999 million as of the end of September.

New Investments / Exits

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

New Investments:

CoCargojet (CJT) – CJT is Canada's dominant overnight air cargo operator. With the shares trading near a trough valuation level despite healthy balance sheet metrics, and favorable long-term e-commerce tailwinds, and strong competitive advantages (reaffirmed by the recently-renewed pilot agreement), we saw an opportunity to initiate a position.

Franco-Nevada (FNV) – FNV is a leading royalty and streaming company with a high-margin, capital-light business model that does not come with the same operational and capital expenditure risk traditional miners typically contend with. We like Franco-Nevada for its net cash balance sheet, exposure to assets with long-term exploration upside. and diversified asset portfolio (with 13% of revenues coming from non-precious metals).

Exits

PetValu (PET) – We held PET for multiple years and while we continue to view the business favourably, the combination of slower growth, rising competitive intensity, and a less compelling risk-reward ratio had reduced its attractiveness within the portfolio compared to other names with similar or better quality profiles.

TFI International (TFII) – Improving freight market conditions supported by tightening truckload capacity and strengthening freight rates drove a favourable recovery in TFII's share price. This compressed the stock's risk-reward ratio, and we used this as an opportunity to trim and then exit the position with the proceeds redeployed to areas with more attractive return profiles.

Our Thoughts On:

The Canadian Equity Market

Performance for the Canadian equity market was choppier during Q3, though the S&P/TSX Composite Index still managed to post a 1.6% return; the S&P/TSX Canadian Dividend Aristocrats Index (TSXDA) delivered a negative return of -1.4% over the same period. Supported by a strong first half of the year, these two indices have generated very healthy year-to-date returns, at 12.9% and 13.3%, respectively.

A key development in Q3 was a rise in bond yields, with the yields on Canadian and U.S. 10-year Treasury notes expanding by 61 and 81 basis points respectively. Continued uncertainty in the Middle East drove oil prices higher and put upward pressure on key inflation metrics, ultimately leading the U.S. Federal Reserve to raise interest rates for the first time since 2023. Q3 performance for the TSXDA was supported by earnings growth and dividends, though this was more than offset by contraction of the price/earnings multiple. With valuations for the TSXDA and TSXC indices contracting closer towards longer-term averages during the quarter, we continue to believe Canada offers better relative value and healthier fundamentals compared to other developed market indices.

Geopolitical conflict, trade tensions, rising bond yields, renewed inflation concerns, and advancements in AI drove market sentiment throughout the third quarter. The U.S.–Iran conflict escalated again after U.S. airstrikes in July and the expiry of a 60-day ceasefire in August drove the price of

world benchmark Brent crude from approximately USD 72 at the start of the quarter to above USD 100 by mid-September. The Bank of Canada held the overnight rate at 2.25% but warned that upside risks to inflation had increased due to upward pressures on energy prices along with continued trade uncertainty. Long-term bond yields climbed to multi-year highs globally, weighing on rate-sensitive sectors such as Communication Services and Utilities, which were among the weakest performing sectors in Canada during the quarter. On the other hand, the materials sector was a bright spot, as copper reached record highs on tariff-driven supply concerns while precious metals rebounded to push miners toward the top of the TSX leaderboard. On the trade front, Canada–U.S. relations worsened as the U.S. declined to extend CUSMA at its July review; trade talks broke down in August. The U.S. then imposed tariffs of up to 50% on many Canadian goods, and Canada responded with matching counter-tariffs. While overall macroeconomic uncertainty has risen and led to increased volatility across equity markets, we will continue to view this as an opportunity to enhance portfolio quality and improve the fund's overall risk-reward ratio.

Our Fund

Our investment selection is largely based on a bottom-up process that employs a scorecard approach, assessing a company's quality rating across five key attributes: (a) sustainable competitive advantages, (b) capital allocation record, (c) management alignment, (d) consistency of profits and cash flow, and attractiveness of return-on-equity and return-on-invested-capital. The Nicola CEIF team maintains a robust "watchlist" of potential investments and their reward-to-risk ratios to monitor the best available opportunities. The fund currently consists of 40 companies and has 42% of its assets under management 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 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 favorable risk-adjusted returns over time.

Top 10 Holdings as of September 30, 2026

Holdings	Weight	Description
Gibson Energy Inc.	6.7%	A Canadian energy infrastructure company providing services related to the storage, transportation, and marketing of petroleum products.
Canadian Utilities Ltd	5.7%	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	4.1%	A Canadian energy infrastructure company that transports, stores, and markets oil, natural gas, and natural gas liquids.
Canadian Tire Corporation - Class A	4.0%	A Canadian retail company offering a variety of products including automotive, home, and sporting goods, as well as financial services.
Topaz Energy Corp	4.0%	Canadian energy royalty business that distinguishes itself via non-operated ownership of primarily gas processing infrastructure.
Capital Power Corp.	4.0%	Develops, acquires, owns, and operates power generation facilities across North America with a portfolio spanning natural gas and renewable energy assets.
Brookfield Asset Management - A	3.6%	A global asset management company with operations across real estate, infrastructure, renewable energy, and private equity.
Brookfield Infrastructure Partners	3.4%	A global infrastructure company that owns and operates diversified infrastructure assets across utilities, transport, midstream, and data sectors.
Stantec Inc.	3.2%	A Canadian multinational professional services company providing engineering, architecture, environmental, and project management services.
Canadian National Railway Co.	2.9%	Canada's largest railway company providing freight and passenger rail services across North America.
Total	**41.5%**	

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.*

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