NICOLA WEALTH
PUBLIC ASSETS

Nicola U.S. Equity Income Fund Quarterly Report | Q3 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.

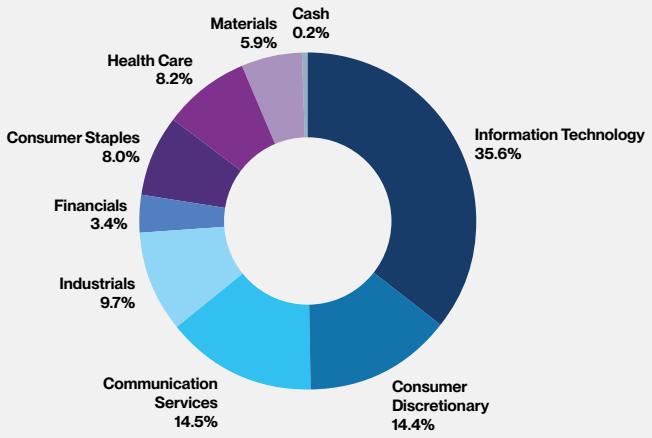
Strategic diversification – Access an "all cap" U.S. equity strategy that invests across diverse sectors, with concentrated positions based on compelling risk-reward assessment.

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 September 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 September 30, 2026

	CAD	USD
YTD	**4.3%**	**0.6%**
1 month	**-0.3%**	**-2.9%**
3 month	**5.0%**	**4.7%**
6 month	**10.9%**	**8.5%**
1 year	**2.4%**	**0.2%**
3 year	**14.0%**	**12.1%**
5 year	**11.8%**	**9.3%**
10 year	**13.9%**	**13.0%**
Since inception*	**13.5%**	**11.4%**

**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

The Nicola U.S. Equity Income Fund (USD) returned +4.7% in Q3. Top contributors to the Fund included:

1. **ServiceNow Inc.:** ServiceNow reported a beat-and-raise quarter, amid a broader rally in the software subsector as fears of potential AI disruption abated.
2. **Meta Platforms Inc.:** Meta launched its Muse artificial intelligence agent, offering consumers a user-friendly turnkey AI product. Initial uptake was highly positive as the app quickly became a popular download among app stores.
3. **KLA Corp.:** We benefitted from an opportunistic entry point into the U.S.-based semiconductor equipment manufacturer, as the broader semiconductor rally resumed near the end of the quarter.

Bottom contributors to the Fund included:

1. **Home Depot Inc.:** Despite reporting strong quarterly results, Home Depot suffered as U.S. mortgage rates eclipsed 7.0%, threatening to further delay an already long-awaited recovery in the housing market.
2. **Apple Inc.:** Headed by newly appointed CEO John Ternus, Apple announced its slate of new products for which price increases were lower than initially projected.
3. **Hyatt Corp.:** While Hyatt reported strong Q2 results, the stock pared back gains as FIFA World Cup tailwinds faded and geo-political disruptions lingered.

Assets under management were USD 514.40 million as of the end of September.

New Investments and Divestments

USEIF initiated long positions in the following companies:

- **Itron Inc.:** Itron is the leading manufacturer of electric meters, which represent an inexpensive way to increase power efficiency and address concerns arising from an AI-fueled spike in power demand, greater adoption of more volatile and intermittent renewable energy sources, and broader regulatory/political fatigue over data centre proliferation. Our entry point screened attractive with de-rating primarily attributable to timing-related factors.
- **KLA Corp.:** KLA is the leading manufacturer of process control tools for the semiconductor industry. We believe the company is well-entrenched from competitors given its integration with leading chip fabricators and is poised to benefit from increasing chip complexity. We capitalized on volatility levels that were the highest since the COVID era and wrote put options yielding an average annualized premium of 160%, providing downside protection with an average internal rate of return of 14% upon assignment.
- **Vulcan Materials Co.:** Vulcan is the largest U.S. producer of sand, gravel, and other construction aggregates. The company operates a vast network of strategically-located quarries (which are highly difficult to replace) and distribution yards while benefiting from regional monopoly dynamics. We believe the recent sell-off is overdone, and concerns over falling demand because of a drawdown a delayed housing recovery are overstated.

USEIF partially funded the aforementioned positions with divestitures in **Adobe**, LVMH, Coca-Cola, **Hermès** and **IDEXX Laboratories**.

Our Thoughts On:

The U.S. Market

While the "AI Trade" initially took a breather earlier in the quarter: the SOX Semiconductor Index dropped -21% in July as concerns around ballooning capital expenditures and the rapid liquidation of AI stocks by AI-focused hedge fund manager Situational Awareness fire sale took hold. Markets soon resumed their upward trajectory however, with the SOX Index up +2% and +11% in August and September respectively). Muse, Meta's consumer AI agent, was released mid-September with positive feedback and quickly reached #1 in app store downloads, fueling renewed interest in chip stocks, primarily those exposed to CPUs which are poised to power agentic inference use cases.

In our view, the AI Trade still has room to run over the short-term. Capital expenditure (capex) by AI-hyperscalers such as Microsoft, Amazon, Google, and many others does not appear to be slowing

down amidst the uncompromising desire from all participants to win the AI race. Nonetheless, we remain cautious over the mid-to-long-term horizon as: (1) companies are increasingly funding capex with debt rather than internally-generated free cash; and (2) pressure grows for these companies to monetize their massive investments at an acceptable rate of return. Complicating this setup is a rising interest rate environment as, in Federal Reserve Chair Kevin Warsh's words, inflation is "too high" and geopolitics are "bothersome". As such, we have maintained our focus on companies that should likely maintain their competitive footing over time.

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. We believe this process will continue to serve investors well throughout the economic cycle.

Top 10 Holdings as of September 30, 2026

Holdings	Weight	Description
Microsoft Corporation	6.7%	Global technology leader offering a comprehensive suite of software, cloud services, and devices for business and personal use.
Nvidia Corp	6.0%	Designer of graphics processing units (GPUs) and AI computing platforms powering gaming, data centers, and autonomous vehicles.
Meta Platforms Inc. – Class A	5.3%	Provider of digital social platforms including Facebook, Instagram, and WhatsApp, with a focus on advertising and virtual reality technologies.
ServiceNow Inc.	4.5%	Cloud-based platform provider enabling digital workflow automation and enterprise service management solutions.
Waste Connections Inc	4.1%	Leading solid waste services company operating an integrated network of collection, transfer, recycling, and disposal assets with long-term contracted revenues across North America.
Amazon.com Inc	4.1%	Global e-commerce and cloud computing giant with additional operations in digital media, logistics, and artificial intelligence.
Apple Inc	4.0%	Designer and manufacturer of consumer electronics, software, and digital services, known for products such as the iPhone, Mac, iPad, and wearables.
Visa Inc. – Class A	3.9%	Global leader in digital payments, enabling secure and seamless transactions for consumers, businesses, and governments worldwide.
Intuitive Surgical Inc	3.9%	Innovator in robotic-assisted, minimally invasive surgery systems, including the market-leading da Vinci platform.
Alphabet Inc	3.9%	Holding company of Google, delivering search, cloud services, digital advertising, and mobile software through a wide range of platforms.
Total	**46.3%**	

[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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