BOREALIS GLOBAL MIDCAP EQUITY STRATEGY

Q2 2025 — AGREEMENTS AND DISAGREEMENTS: THE RACE FOR DEALS IS ON

Agreements and disagreements

The second quarter of 2025 witnessed the repercussions of the new U.S. administration's tariff policies. Central banks in the United States, Europe, and the United Kingdom held their rates steady, reflecting caution in the face of an uncertain environment, while several emerging countries continued to lower theirs. The inflationary risk linked to tariffs remains present, with consumer inflation stable but producer inflation accelerating.

Consumer sentiment is improving slightly in the United States, but business caution persists, curbing investment. Growth is still present, driven by a weakened U.S. dollar and anticipated exports from foreign companies to their American subsidiaries ahead of the entry into force of tariffs that have temporarily altered trade flows. The Nordic countries also show disparities: Sweden remains in recession, while Norway and Denmark are benefiting from robust exports and domestic demand.

Despite these tensions, the resilience of corporate margins, the stability of inflation in developed countries, and the signing of customs agreements with the United States in Europe and Asia were welcomed by the markets, which erased their correction from the beginning of the quarter. To date, only Mexico and Canada remain without an agreement. However, the signing of numerous trade agreements outside the United States opens up prospects for a migration of commercial activity in future years.

Market Performance

After a start to the quarter marked by volatility and a low point reached in the first week of April, the markets orchestrated a vigorous recovery, catalysed by positive developments in tariff negotiations with the United States. This renewed optimism translated into solid performances for the MSCI ACWI and MSCI World indices, which posted returns of 5.48% and 5.3% respectively, in Canadian dollars. Smaller segments were not left behind: the Small Cap index outperformed with a rise of 6.3%, while the Mid Cap index advanced by 4.6%.

Within mid-caps, the charge was led by the technology sector—rebounding after a difficult first quarter, particularly in semiconductors—as well as industrial products and communications. Geographically, it is notable that the recovery was driven by Europe, Asia, and Canada, with the United States posting the most modest performance of the group this time around.

Strategy and Positioning

Outperformance in Health Care sector investments was the most significant source of value added during the second quarter of 2025. The Industrial Products sector and the lack of investment in Energy also contributed positively to performance. Investments in the Technology, Financial Services, Real Estate, Materials, and Utilities sectors contributed negatively during the quarter.

Shares of Ryohin Keikaku, Wärtsilä, Burberry, Ensign, and Veeva made particularly favourable contributions to portfolio performance. Conversely, shares of Alexandria REIT, Globant, Columbia Banking, Lattice Semiconductor, and Tractor Supply had a negative impact on portfolio results.

As of June 30, 2025, the portfolio remained overweight in North American and European markets, while maintaining a persistent underweight exposure to Asian markets. Profits taken in Canada and Europe were partially reinvested in the United States, slightly accentuating the overweighting of this region.

During the quarter, we continued to increase our exposure to Japan, notably through the addition of a new position, bringing our allocation to a neutral level relative to our benchmark index. Japan is ideally positioned to benefit from the anticipated economic recovery in Asia, and more specifically in China.

Following market weakness in April, we established new positions in the Industrial Products sector, which continues to represent our largest overweight for over three years, and increased the portfolio's pro-cyclical positioning. The portfolio maintains an overweight allocation in the Health Care sector, despite further profit-taking during the quarter. It should be noted that this sector was the primary contributor to portfolio performance over the period.

Following the addition of a new position in Japan and the sale of a technology stock, the total number of positions remains unchanged at 49. Furthermore, two positions currently subject to buyout offers will be divested over the coming quarters.

Additionally, the portfolio remains overexposed to the Technology and Consumer Discretionary sectors, while remaining underweight in Financial Services—with the exception of an overweight in the regional banks sub-sector—as well as in Consumer Staples, Telecommunications, and Energy.

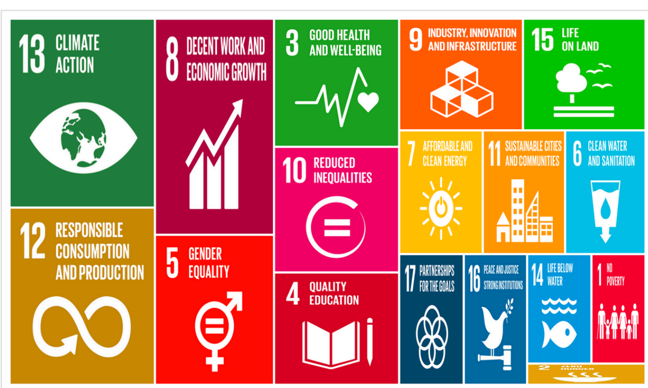
The portfolio's average market capitalization stood at CAD 24.1 billion at the end of the quarter, with a median of CAD 17.1 billion. The top 15 positions represented 44.5% of the total portfolio value. This relative concentration constitutes the main factor of portfolio volatility.

Outlook: A Return to Growth

For the coming months, a global economic slowdown in the second half of the year remains likely, with strong variations between regions. More limited than anticipated tax relief in the United States, and the end of supply chain adjustments could limit growth. On the other hand, investment commitments and household spending capacity may support growth in certain sectors, notably industrials and consumer discretionary.

In the longer term, American competitiveness will remain tightly linked to its capacity for innovation. Therefore, resolving structural issues—specifically regarding education—must remain an absolute priority. In Europe, the recovery privileges the South, with Italy and Spain harvesting the fruits of their budget discipline, while France has yet to clean up its political and fiscal landscape. For its part, Germany has the potential to relaunch its industry, which should benefit significantly from higher military budgets and reconstruction projects in Ukraine.

SOCIAL IMPACT



SUSTAINABILITY PERFORMANCE

	Portfolio	MSCI ACWI
ESG Combined Score (Refinitiv)	64	51
ESG Controversies Score (Refinitiv)	83	40
Corruption Perception Index Score (Transparency Intl)	71	67
W.A. Carbon Intensity (tons CO2e/U$M rev.)	44	123
Carbon Footprint (tons CO2e/US$M invested)	20	60
Clean Energy Exposure (% of AUM)	17%	29%
Water technology >50% of sales (% of AUM)	16%	4%
Exposure to controversial sectors (5+coal)	0.0%	8.0%
Board gender diversity (%)	36	33
Community Involvement Score (Refinitiv)	77.0	77.8
Microfinance investing (% of AUM)	6%	5%
SBTi Carbone reduction Near Term Targets	51%	32%
Of which Targets Committed	16%	11%
Of which Targets Set and Validated	84%	89%
SBTi Net Zero targets set	27%	12%
SBTi Near Term Targets Removed	0%	7%

SUSTAINABILITY AT THE HEART OF BUSINESS STRATEGY

NEXTRACKER: CAPTURING ALPHA IN THE GREEN

Some still view "sustainability" and "profitability" as a zero-sum game. However, an increasing number of companies offer us the opportunity to invest in a lower-carbon world while providing an attractive return on investment. The energy transition represents the greatest capital reallocation opportunity of our generation today. And at the heart of this transformation is NEXTracker (NXT).

The Economic Victory of Solar

From the invention of the first modern photovoltaic cell by Bell Labs in the United States in 1954, it took until the 1980s to see the true beginning of the solar industrial era on a large scale. In ten years, solar energy has gone from a subsidized niche market to a dominant force. In 2024, it represented nearly 7% of global electricity production.

According to the U.S. Department of Energy, the Solar Levelized Cost of Energy (LCOE) has fallen from $0.38/kWh to $0.04/kWh in 10 years. This spectacular drop has allowed solar to cross the threshold of "economic singularity." According to recent data, 91% of new renewable capacity installed in 2024 was cheaper than the least expensive fossil fuel-based alternatives. We therefore invest in solar because it is the cheapest electron money can buy.

From Hardware to High Value-Added Services

Despite a favourable macroeconomic context, the construction materials sector remains difficult. NEXTracker distinguishes itself financially because it does not just sell steel, but smart solutions.

Under the leadership of its CEO, Dan Shugar, NEXTracker has transformed from a solar tracker manufacturer into a technology platform. This strategy has been the main driver of its margin improvement.

Its flagship software, TrueCapture, uses machine learning to autonomously optimize the angle of panels, taking into account terrain and weather conditions to maximize energy yield. Its evolution is just beginning, and it is highly likely that NEXTracker will position itself as a strategic partner to its clients in the years to come.

Local Content: A Competitive Asset

In a context of protectionism and supply chain instability, NEXTracker's "local content" strategy is a masterstroke in risk management. By developing its domestic production capabilities—notably through its dedicated production lines in the United States to leverage Inflation Reduction Act (IRA) tax credits—the company is doing much more than simply obtaining tax benefits. It is forging social legitimacy. By using local steel and labour, it links its success to the economic health of the communities it serves. This reduces regulatory constraints and creates a more robust supply chain that is less vulnerable to geopolitical shocks.

The Transition Premium

Is there a risk? Absolutely. NEXTracker is currently in full transition and must move up the value chain to reduce its dependence on new project construction cycles. This type of transition is often complex and involves increased execution risk, synonymous with short-term volatility.

However, for the patient investor, the valuation potential is significant. NEXTracker demonstrates that it is possible to combine economic performance with the acceleration of the energy transition.

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Note: While AI tools (Gemini) were used to assist in drafting this newsletter, all content has been reviewed, verified, and finalized by Valérie Cecchini.