FIERA CAPITAL

NOVEMBER 2025

# Reflection to Renewal: The Case for Quality

> "Quality investing is a marathon, not a sprint, and recent events serve as a reminder of that."

**Andy Gardner**
Senior Portfolio Manager,
Fiera Atlas Global Companies Strategy

As the father of eight-year-old twins, I've learned one lesson the hard way: **never throw out the Lego**. Children are always drawn to the latest toy, the one everyone else is playing with, but the novelty fades quickly. Before long, they return to their Lego. There are fashions in toys, and there is enduring design. Lego prevails because well-engineered systems retain their edge over time.

Quality companies are much the same. They may be overshadowed during brief periods of hype, but their superior cash flows and resilience inevitably reassert themselves. The past year has felt similar for quality equities, as narrow market leadership and momentum-driven themes dominated.

This experience reinforces a core truth of active management: high-conviction, differentiated portfolios with meaningful tracking error will, at times, underperform. Yet such moments

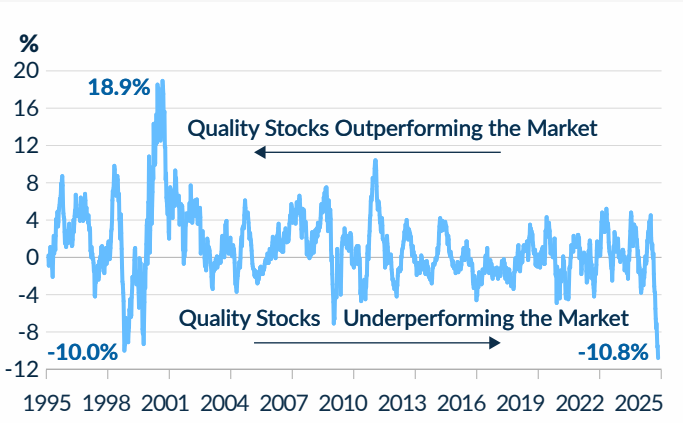


All data given as at 30 September 2025.

also strengthen discipline. Since the start of 2024, we have used this period to sharpen our focus, refresh the portfolio, and lay stronger foundations for the next five years and beyond.

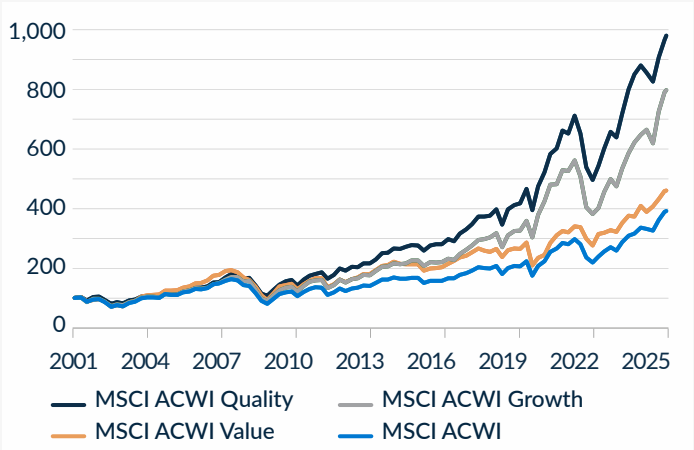
Our long-term record remains strong, and we are confident that the steps we have taken will realign performance with the durable trajectory our philosophy has delivered over time.

### Quality Underperformance at Dot.com Extremes




Source: S&P 500.
Past performance is not a reliable indicator of future results.

### Quality Outperformance Over Long Term (25 Years - Rebased to 100)




Source: MSCI.
Past performance is not a reliable indicator of future results.

## Quality Is Dead, Long Live Quality

Quality investing is a marathon, not a sprint, and recent events serve as a reminder of that. It's typical for high-quality strategies to lag during frothy, momentum-driven market phases. No investment style leads in every environment, and quality is no exception. For instance, quality stocks generally underperformed during the late-1990s dot-com bubble or during short lived financial and commodity booms.

Importantly, these periods have invariably been short-lived relative to the long-term advantage of quality. High-quality companies, those with durable moats, strong cash flows and prudent management, tend to shine through the full cycle and especially in weaker environments. The data supports this: over the past 25 years, Quality has been the best-performing equity factor in the MSCI World AC, returning 9.8% annualised over the period, versus 5.7% for the broader market. On a 5-year rolling basis, Quality has outperformed 90% of the time.

## Protection in a Downturn

**Quality has been proven to weather the storm during economic downturns, declining less and recovering faster than the market.** This resilience and superior compounding underpin our conviction that quality is the optimal path for long-term, risk-adjusted growth. A comprehensive study by Russell Investments on factor performance found that the quality factor was the single best performer during negative market years. In calendar years since 1927 when the U.S. stock market finished with a negative return, the quality factor delivered an average return of +10.7%.

Our own track record illustrates how quality can deliver both higher and more stable performance. Since inception eight years ago, the Fiera Atlas Global Companies strategy has achieved annualised returns of 14.7%, well above the 10.4% delivered by the MSCI ACWI, with over 90% of that outperformance driven by superior fundamental (earnings) growth. Importantly, we also protected capital during difficult periods such as the 2020 pandemic, when our companies' earnings proved far more resilient than those of the broader market.

### Portfolio Return Decomposition

We analyse the portfolio's total returns, fundamental (earnings-based) returns, and valuation impact across three key phases of the strategy's history. Across all periods, Fiera Atlas Global Companies strategy delivered stronger fundamental returns than the MSCI ACWI, underscoring the quality and resilience of the underlying businesses. More recently, however, valuation effects have weighed on relative performance, a pattern consistent with the broader experience of quality-focused strategies during the current market cycle.

| | | | Total Returns | | Fundamental Returns | | Valuation | |
|---|---|---|---|---|---|---|---|---|
| Start | End | Period | Fiera Atlas | MSCI ACWI | Fiera Atlas | MSCI ACWI | Fiera Atlas | MSCI ACWI |
| Apr-17 | Dec-19 | Pre-Covid | 24.8% | 11.0% | 16.8% | 9.4% | 6.9% | 1.4% |
| Dec-19 | Dec-21 | Covid | 32.4% | 17.4% | 16.1% | 11.4% | 14.1% | 5.4% |
| Dec-21 | Sep-25 | Post-Covid | 0.6% | 9.1% | 10.1% | 7.4% | -8.6% | 1.6% |

Source: Fiera Capital, MSCI.
Past performance is not a reliable indicator of future performance. Inherent in any investment is the risk of loss. Performance given net of fees.

Why does quality prevail? Simply put, share prices follow earnings in the long-run, and quality businesses generate superior and more stable earnings. Speculative stocks attract attention in boom times, but when conditions shift, investors focus again on actual cash flows. History tells us that market leadership rotates, and extreme concentration eventually unwinds. As conditions shift, fundamental factors should matter more, favouring strong, resilient companies.

Our philosophy has not changed since we launched in 2017: we focus on differentiated, high-quality growth companies with durable competitive moats and long-term structural drivers. We maintain a diversified portfolio with minimal overlap to the index, spanning various geographies and end markets. By staying true to this approach (and resisting the temptations of chasing fads), we aim to capture the full benefit of quality's long-term strength.

We recognise that while the portfolio has remained true to its objectives, its underlying performance in the post-COVID period fell short of expectations. This environment tested us but also sharpened our focus and revealed opportunities to improve. That insight has guided our efforts over the past two years to refresh the portfolio and refine our process, ensuring it remains aligned with our standards of quality and discipline.

## Repositioning for the Next Phase of Quality

Over the past 18–24 months, we undertook a strategic refresh of the Atlas portfolio. The driver was not a deterioration in business quality or a change in philosophy, but a recognition that some of our key end markets (including healthcare, companion animal, certain consumer areas and parts of software and technology) were digesting extraordinary, one-off pandemic demand whilst navigating rising complexity. We observed that the moderation in fundamentals in these holdings was primarily a function of end-market dynamics, and saw an opportunity to rebalance and deepen the diversification of our growth drivers.

The most visible changes have come through targeted actions: trimming or exiting businesses where end-market growth and visibility had become less attractive, and redeploying capital into companies with clearer, more durable avenues for compounding. This has included broadening our exposure to resilient industrial and financial franchises, alongside high-conviction healthcare and technology companies, where we see stronger structural tailwinds and better line-of-sight on returns.

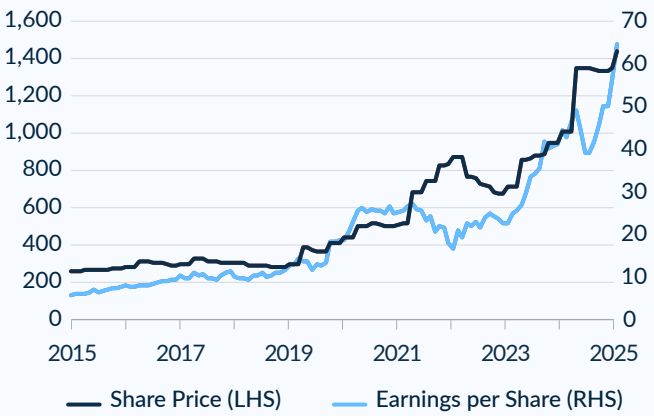
As a result, the portfolio today is more evenly balanced across end markets and, in our view, better positioned for the next phase of the cycle. We do own companies that will benefit from the secular increase in compute and AI investment, but we approach this exposure in the same pragmatic, risk-conscious way as any other growth theme. We own businesses like Amphenol or TSMC because they are fundamentally exceptional, highly profitable, competitively advantaged and diversified across multiple end markets, with AI and digitalisation as important, but not exclusive, contributors to their long-term wealth creation.

## Artificial Intelligence

### Taiwan Semiconductor Manufacturing Company

**TSMC** is the world's dominant semiconductor foundry, producing over 85% of leading-edge chips. Its unmatched scale, advanced process technology and capital intensity create formidable entry barriers. With consistently high returns on invested capital and disciplined capital allocation, TSMC underpins global innovation in AI, cloud and advanced computing. Its neutral, "agnostic" manufacturing model ensures it will capture the immense, multi-year expansion of the inference market, which is far larger than training, and regardless of which specific chip designs (general or custom) ultimately win.

### TSMC: Share Price vs Earnings per Share




The reader should not assume that investment decisions identified and discussed were or will be profitable. Specific investment references provided herein are for illustrative purposes only and are not necessarily representative of investments that will be made in the future.

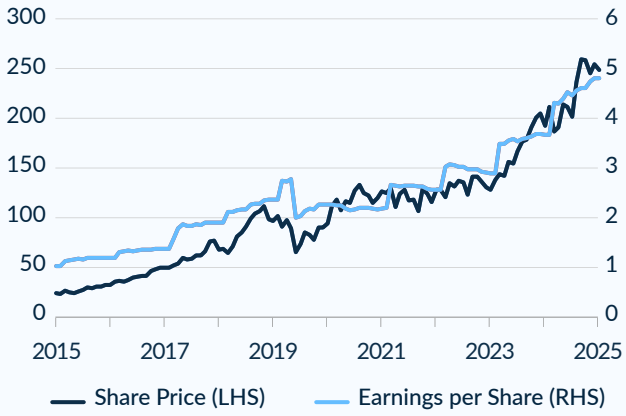
Source: TSMC, as at 30 September 2025. Past performance is not a reliable indicator of future results. Inherent in any investment is the possibility for loss.

## Aerospace

### Heico Corporation

**Heico** is a global leader in aerospace components and electronic technologies. Its aftermarket aircraft parts business commands roughly three-quarters of the FAA-approved market, offering products at significant savings to OEM alternatives. Growth is driven by rising air travel, continuous product innovation and strategic acquisitions funded by strong cash generation. With high margins, minimal capital intensity and a decades-long record of compounding earnings and free cash flow, Heico exemplifies durable quality and disciplined capital deployment across cycles.

### Heico: Share Price vs Earnings per Share



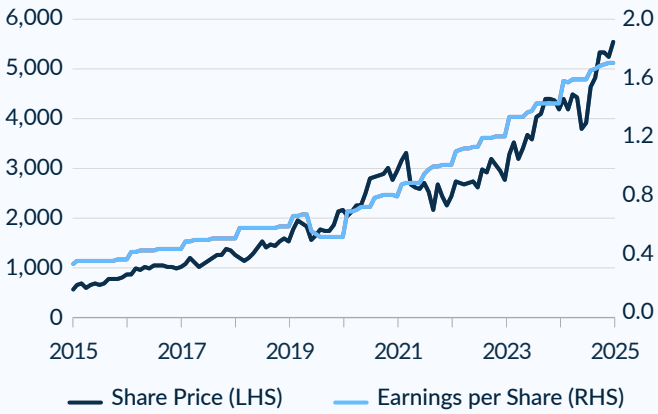

Source: Heico, as at 30 September 2025. Past performance is not a reliable indicator of future results. Inherent in any investment is the possibility for loss.

## Industrial

### Diploma PLC

**Diploma** is a UK listed distributor specialising in technical products across life sciences, controls and seals. Its value-added service model drives operating margins above industry averages and steady earnings growth. The company combines organic expansion in structurally growing markets with disciplined, bolt-on acquisitions. A decentralised structure, recurring revenue streams and strong cash conversion underpin Diploma's financial stability and consistent capital generation.

### Diploma: Share Price vs Earnings per Share




Source: Diploma, as at 30 September 2025. Past performance is not a reliable indicator of future results. Inherent in any investment is the possibility for loss.

The portfolio changes we have undertaken are about laying the foundations for the **next five years** of compounding, not about chasing short-term outperformance.

By design, a rebuild requires patience and a multi-year horizon for the benefits to be fully realised as the improved portfolio quality, diversification and earnings resilience compound over time.

The outcome is a portfolio that is demonstrably higher in quality, broader in diversification and governed by tighter process control. While the process of refinement is continuous, much of the foundational work has been completed, establishing a stronger platform to capture opportunities and deliver resilient performance in the years ahead.

## Portfolio Positioning and Outlook

The Fiera Global Companies portfolio today represents a more balanced, diversified, and resilient collection of exceptional businesses. Our active share remains high at ~96%, reflecting a distinct portfolio of around 30 companies, each selected for its ability to compound value through superior fundamentals.

On average, our holdings deliver a 22% return on invested capital (ROIC) (vs 17% for MSCI ACWI), 31% operating margins (vs 26%), and 13% five-year compound earnings growth, nearly double the market - while carrying one-third the leverage (debt-to-equity of ~45% vs ~130%).

Despite these quality advantages, valuations have become increasingly attractive. Our forward P/E premium has compressed to ~65%, down from ~140% in 2021 (its narrowest since inception) reflecting both multiple contraction in our holdings and exuberance in a few market mega-caps.

Looking ahead, with stronger fundamentals, lower relative valuations and a long runway for growth, we see a compelling setup for future compounding.

**The past two years have strengthened both our process and our portfolio. The Fiera Atlas Global Companies strategy stands today as a high-conviction collection of wealth-compounding companies, guided by a consistent philosophy and a long-term horizon.**

Experience tells us that markets are always evolving. Investors may well ask themselves whether the conditions that delivered such extraordinary, but very narrow, returns are likely to persist over the next five years.

We do not pretend to know the exact timing or shape of that transition. Our task is unchanged: to own a focused set of exceptional companies capable of compounding capital sensibly over the long term. In our view, the current portfolio is well placed to meet that objective, with attractive fundamentals and low overlap versus the benchmark and most global equity peers.

Source: Fiera Capital, as at 30 September 2025. Past performance is not a reliable indicator of future results. Inherent in any investment is the possibility for loss.



**Contact Details**
info@fieracapital.com

## Important Disclosure

Fiera Capital Corporation **("Fiera Capital")** is a global independent asset management firm that delivers customized multi-asset solutions across public and private classes to institutional, financial intermediary and private wealth clients across North America, Europe and key markets in Asia and the Middle East. Fiera Capital trades under the ticker FSZ on the Toronto Stock Exchange. Fiera Capital does not provide investment advice to U.S. clients or offer investment advisory services in the US. In the US, asset management services are provided by Fiera Capital's affiliates who are investment advisers that are registered with the U.S. Securities and Exchange Commission (the "SEC") or exempt from registration. Registration with the SEC does not imply a certain level of skill or training. Each affiliated entity (each an "**Affiliate**") of Fiera Capital only provides investment advisory or investment management services or offers investment funds in the jurisdictions where the Affiliate and/or the relevant product is registered or authorized to provide services pursuant to an exemption from registration.

This document is strictly confidential and for discussion purposes only. Its contents must not be disclosed or redistributed directly or indirectly, to any party other than the person to whom it has been delivered and that person's professional advisers.

The information presented in this document, in whole or in part, is not investment, tax, legal or other advice, nor does it consider the investment objectives or financial circumstances of any investor. The source of all information is Fiera Capital unless otherwise stated.

Fiera Capital and its Affiliates reasonably believe that this document contains accurate information as at the date of publication; however, no representation is made that the information is accurate or complete and it may not be relied upon. Fiera Capital and its Affiliates will accept no liability arising from the use of this document.

Fiera Capital and its Affiliates do not make recommendations to buy or sell securities or investments in marketing materials. Dealing and/or advising services are only offered to qualified investors pursuant to applicable securities laws in each jurisdiction.

**Past performance of any fund, strategy or investment is not an indication or guarantee of future results. Performance information assumes the reinvestment of all investment income and distributions and does not account for any fees or income taxes paid by the investor. All investments have the potential for loss. Target returns are forward-looking, do not represent actual performance, there is no guarantee that such performance will be achieved and actual results may vary substantially.**

This document may contain "forward-looking statements" which reflect the current expectations of Fiera Capital and/or its Affiliates. These statements reflect current beliefs, expectations and assumptions with respect to future events and are based on information currently available. Although based upon what Fiera Capital and its affiliates believe to be reasonable assumptions, there is no guarantee that actual results, performance, or achievements will be consistent with these forward-looking statements. There is no obligation for Fiera Capital and/or its Affiliates to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise.

Strategy data such as ratios and other measures which may be presented herein are for reference only and may be used by prospective investors to evaluate and compare the strategy. Other metrics are available and should be considered prior to investment as those provided herein are the subjective choice of the manager. The weighting of such subjective factors in a different manner would likely lead to different conclusions. Please note it is not possible to invest directly in an index.

Strategy details, including holdings and exposure data, as well as other characteristics, are as of the date noted and subject to change. Specific holdings identified are not representative of all holdings and it should not be assumed that the holdings identified were or will be profitable.

Certain fund or strategy performance and characteristics may be compared with those of well-known and widely recognized indices. Holdings may differ significantly from the securities that comprise the representative index. It is not possible to invest directly in an index. Investors pursuing a strategy like an index may experience higher or lower returns and will bear the cost of fees and expenses that will reduce returns, whereas an index does not. Generally, an index that is used to compare performance of a fund or strategy, as applicable, is the closest aligned regarding composition, volatility, or other factors.

Every investment is subject to various risks and such risks should be carefully considered by prospective investors before they make any investment decision. No investment strategy or risk management technique can guarantee returns or eliminate risk in every market environment. Each investor should read all related constating documents and/or consult their own advisors as to legal, tax, accounting, regulatory and related matters prior to making an investment.

The ESG or impact goals, commitments, incentives and initiatives outlined in this document are purely voluntary, may have limited impact on investment decisions and/or the management of investments and do not constitute a guarantee, promise or commitment regarding actual or potential positive impacts or outcomes associated with investments made by funds managed by the firm. The firm has established and may in the future establish, certain ESG or impact goals, commitments, incentives and initiatives, including but not limited to those relating to diversity, equity and inclusion and greenhouse gas emissions reductions. Any ESG or impact goals, commitments, incentives and initiatives referenced in any information, reporting or disclosures published by the firm are not being promoted and do not bind any investment decisions made in respect of, or stewardship of, any funds managed by the firm for the purposes of Article 8 of Regulation (EU) 2019/2088 on sustainability-related disclosures, in the financial services sector. Any measures implemented in respect of such ESG or impact goals, commitments, incentives and initiatives may

not be immediately applicable to the investments of any funds managed by the firm and any implementation can be overridden or ignored at the sole discretion of the firm. There can be no assurance that ESG policies and procedures as described herein, including policies and procedures related to responsible investment or the application of ESG-related criteria or reviews to the investment process will continue; such policies and procedures could change, even materially, or may not be applied to a particular investment.

The following risks may be inherent in the funds and strategies mentioned on these pages.

**Equity risk:** the value of stock may decline rapidly and can remain low indefinitely. **Market risk:** the market value of a security may move up or down based upon a change in market or economic conditions. **Liquidity risk:** the strategy may be unable to find a buyer for its investments when it seeks to sell them. **General risk:** any investment that has the possibility for profits also has the possibility of losses, including loss of principal. **ESG and Sustainability risk** may result in a material negative impact on the value of an investment and performance of the portfolio. **Geographic concentration risk** may result in performance being more strongly affected by any conditions affecting those countries or regions in which the portfolio's assets are concentrated. **Investment portfolio risk:** investing in portfolios involves certain risks an investor would not face if investing in markets directly. **Currency risk:** returns may increase or decrease as a result of currency fluctuations. **Operational risk** may cause losses as a result of incidents caused by people, systems and/or processes. **Projections and Market Conditions:** We may rely upon projections developed by the investment manager or a portfolio entity concerning a portfolio investment's future performance. Projections are inherently subject to uncertainty and factors beyond the control of the manager and the portfolio entity. **Regulation:** The manager's operations may be subject to extensive general and industry specific laws and regulations. Private strategies are not subject to the same regulatory requirements as registered strategies. **No Market:** The LP Units are being sold on a private placement basis in reliance on exemptions from prospectus and registration requirements of applicable securities laws and are subject to restrictions on transfer thereunder. Please refer to the Confidential Private Placement Memorandum for additional information on the risks inherent in the funds and strategies mentioned herein. **Meteorological and Force Majeure Events Risk:** Certain infrastructure assets are dependent on meteorological and atmospheric conditions or may be subject to catastrophic events and other events of force majeure. **Weather:** Weather represents a significant operating risk affecting the agriculture and forestry industry. **Commodity prices:** Cash flow and operating results of the strategy are highly dependent on agricultural commodity prices which can be expected to fluctuate significantly over time. **Water:** Water is of primary importance to agricultural production. **Third Party Risk:** The financial returns may be adversely affected by the reliance on third party partners or a counterparty's default.

For further risks we refer to the relevant fund prospectus.

**United Kingdom:** This document is issued by Fiera Capital (UK) Limited, an affiliate of Fiera Capital Corporation. Fiera Capital (UK) Limited is authorized and regulated by the Financial Conduct Authority and is registered with the US Securities and Exchange Commission ("SEC") as investment adviser. Registration with the SEC does not imply a certain level of skill or training.

**Abu Dhabi Global Markets:** This document is issued by Fiera Capital (UK) Limited, an affiliate of Fiera Capital Corporation. Fiera Capital (UK) Limited is regulated by the Financial Services Regulatory Authority.

**United Kingdom – Fiera Real Estate UK:** This document is issued by Fiera Real Estate Investors UK Limited, an affiliate of Fiera Capital Corporation. Fiera Real Estate Investors UK Limited is authorized and regulated by the Financial Conduct Authority.

**European Economic Area (EEA):** This document is issued by Fiera Capital (Germany) GmbH ("**Fiera Germany**"), an affiliate of Fiera Capital Corporation. Fiera Germany is authorized and regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin).

**United States:** This document is issued by Fiera Capital Inc. ("**Fiera U.S.A.**"), an affiliate of Fiera Capital Corporation. Fiera U.S.A. is an investment adviser based in New York City registered with the Securities and Exchange Commission ("SEC"). Registration with the SEC does not imply a certain level of skill or training.

**United States - Fiera Infrastructure:** This document is issued by Fiera Infrastructure Inc. ("**Fiera Infrastructure**"), an affiliate of Fiera Capital Corporation. Fiera Infrastructure is registered as an exempt reporting adviser with the Securities and Exchange Commission ("SEC"). Registration with the SEC does not imply a certain level of skill or training.

**United States - Fiera Comox:** This document is issued by Fiera Comox Partners Inc. ("**Fiera Comox**"), an affiliate of Fiera Capital Corporation. Fiera Comox is registered as an investment adviser with the Securities and Exchange Commission ("SEC"). Registration with the SEC does not imply a certain level of skill or training.

**Canada**

**Fiera Real Estate Investments Limited** ("**Fiera Real Estate**"), a wholly owned subsidiary of Fiera Capital Corporation is an investment manager of real estate through a range of investments funds.

**Fiera Infrastructure Inc.** ("**Fiera Infra**"), a subsidiary of Fiera Capital Corporation is a leading global mid-market direct infrastructure investor operating across all subsectors of the infrastructure asset class.

**Fiera Comox Partners Inc.** ("**Fiera Comox**"), a subsidiary of Fiera Capital Corporation is a global investment manager that manages private alternative strategies in Private Credit, Agriculture, Private Equity and Timberland.

**Fiera Private Debt Inc.** ("**Fiera Private Debt**"), a subsidiary of Fiera Capital Corporation provides innovative investment solutions to a wide range of investors through two distinct private debt strategies: corporate debt and infrastructure debt.

Please find an overview of registrations of Fiera Capital Corporation and certain of its subsidiaries here: https://www.fieracapital.com/en/registrations-and-exemptions.

Version STRENG004