

KAI CORE EQUITY POOL

Q1 - March 2025

KAI Asset Management Inc. | kaiasset.com | 500-185 Carlton St | Winnipeg, MB R3C 3J1 | TF: 844-755-8932 | info@kaiasset.com



Commentary

The ongoing situation surrounding U.S. trade tensions remains fluid, with developments emerging almost daily. As trade disputes escalate, investor uncertainty has naturally increased. The widespread imposition of tariffs on nearly all U.S. imports and retaliatory measures from global trading partners present risks to global economic stability.

At KAI Asset Management, we remain committed to our disciplined, long-term investment philosophy. We focus on owning high-quality businesses with durable competitive advantages—companies that are positioned to withstand shifts in economic and political landscapes. While trade disputes often lead to short-term volatility, their long-term effects are more nuanced. Though certain sectors face significant immediate challenges, companies, consumers, and entire economies typically adapt over time by shifting trade partnerships, reconfiguring supply chains, and adjusting consumer behaviour. Our strategy centres on resilience—investing in companies with strong economic moats, consistent profitability, and strategic market positioning.

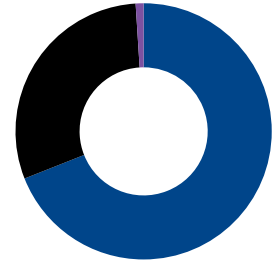
A core pillar of our approach is identifying businesses with pricing power, those that can set prices rather than take them, due to structural advantages like network effects, high switching costs, and brand strength. These companies are typically better able to maintain margins and profitability through changing environments, including those shaped by tariffs. In contrast, businesses with little pricing control tend to be more vulnerable to macroeconomic disruptions. We believe our focus on pricing power strengthens portfolio resilience, improves long-term value creation, and supports stability in times of economic or geopolitical uncertainty. While sectors such as energy, manufacturing, and agriculture are likely to be most directly affected by tariff-related disruptions, the majority of our portfolio holdings lie outside of these sectors.

Some of our key positions such as JPMorgan Chase, Visa, BlackRock, and S&P Global operate in financial services—an industry historically less exposed to tariff risk. Similarly, technology holdings such as Microsoft, Adobe, Constellation Software, and Oracle generate substantial revenue from ongoing subscription agreements with customers making them less vulnerable to tariffs, which typically target the trade of physical goods rather than services. While we remain attentive to macroeconomic risks, we believe our holdings are well-positioned to navigate the current environment and continue delivering long-term value.

Beyond durable publicly traded companies, we believe our diversified asset allocation strategy—including private assets—adds an important layer of stability. For example, in response to U.S. tariffs, the Bank of Canada has adopted an accommodative stance by lowering interest rates.¹ This benefits private holdings like KAI Properties (KPI) and KAI Health Services (KHS). Lower borrowing costs typically support business operations and also tends to lift valuation metrics for stable private businesses. KPI, focused on high-quality multi-family real estate, generates consistent income and serves as an effective inflation hedge. Meanwhile, KHS operates in a capital-light model, delivering essential services with strong cash flow and minimal reinvestment needs—making it resilient during economic uncertainty and largely insulated from tariffs. These holdings underscore the value of diversification. By incorporating private real estate and healthcare alongside public equities, we aim to reduce volatility and enhance long-term resilience.

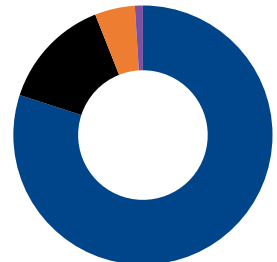
From a macro perspective, tariffs may create economic friction and weigh on growth, but they do not alter our core conviction—long-term investing in high-quality businesses remains the most effective way to protect and build wealth. At KAI Asset Management, we remain focused on companies with adaptability, strong market positions, and sustainable profitability. Our disciplined strategy is built to endure across evolving geopolitical and macroeconomic landscapes.

GEOGRAPHIC ALLOCATION



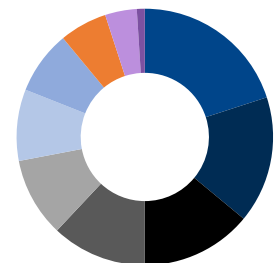
International 69%
Canada 30%
Cash 1%

ASSET ALLOCATION²



Public Equities 80%
Private Equity - Real Estate 14%³
Private Equity - Businesses 5%⁴
Cash 1%

SECTOR ALLOCATION



Financial Services 20%
Enterprise Software 16%
Real Estate 14%
Banks 12%
Transactions & Payment Services 10%
Healthcare 9%
Consumer Products 8%
Digital Media & Technology 6%
Conglomerates 4%
Cash 1%

Portfolio Activity | Holdings at Quarter End: 22

Holdings Entered: MSCI	Increased Weight: Visa BlackRock KAI Health Services Adobe
Holdings Exited: Equifax	Decreased Weight: Oracle Blackstone

Top Holdings

- KAI Properties
- KAI Health Services
- Visa
- Meta Platforms
- Microsoft
- Mastercard
- Starbucks
- BlackRock
- Berkshire Hathaway
- JPMorgan Chase

¹Bank of Canada Press Release, *Bank of Canada reduces policy rate by 25 basis points to 2.4%* (March 12, 2025) ²The KAI Core Equity Pool (KCEP) has an investment requirement that no less than 75% is to be invested in publicly listed securities, cash, or cash equivalents, with the balance invested in private equity. ³The Private Equity - Real Estate component reflects investments in shares of KAI Properties Inc. (KPI). ⁴The Private Equity - Businesses component reflects investments in shares of KAI Health Services Inc. (KHS). | The Private Equity Allocations described herein are private corporations that an affiliate of KAI Asset Management Inc. (KAM) manages and administers. This affiliate of KAM is responsible for selecting and overseeing investments held in the corporations. The management agreements in place compensate the KAM affiliate for these services. More information about this can be found in the KAI Issuers Fact Sheets, which are available upon request.

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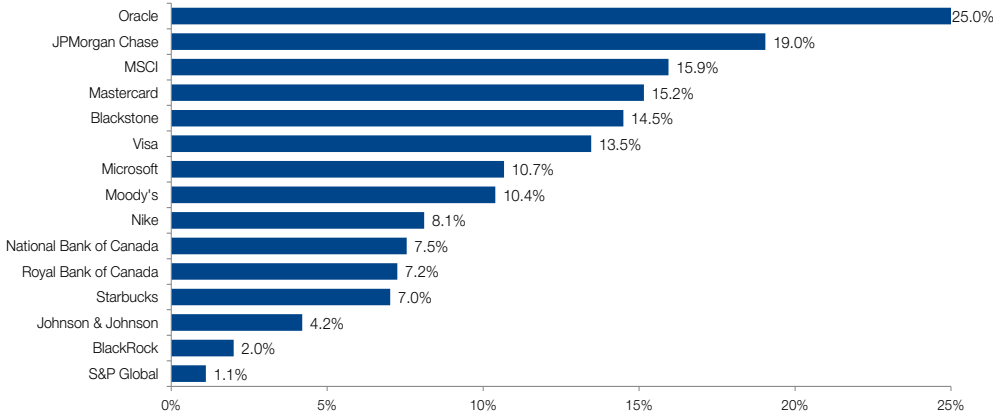
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Public Equities Allocation¹

Dividend Growth Chart | Most Recent 12 Months



We expect Blackstone's dividend levels to remain highly variable. To more accurately reflect the dividend trend we calculate the movement using a rolling four quarter average.

Public Equities | Key Statistics

Dividend Movers

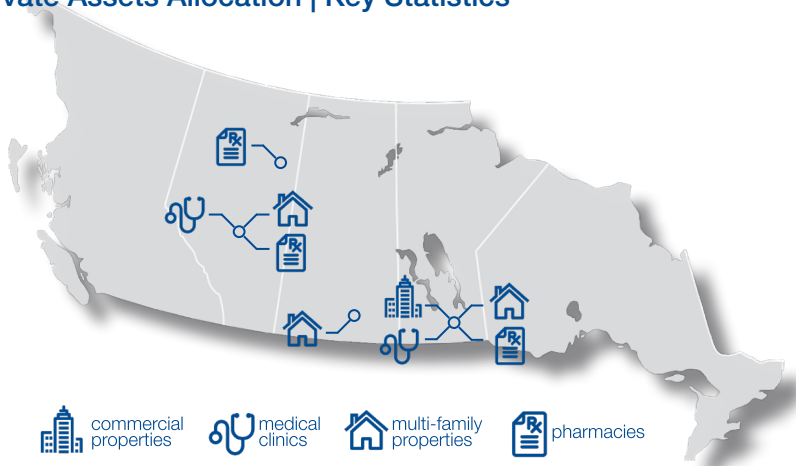
Increased Dividend	15
Maintained Dividend	5
Decreased Dividend	-
12-Month Dividend Growth	8.1%

Portfolio Fundamentals

P/E (forward)	24.6X
Average Market Capitalization	\$556.0B
ROE	28.6%
5-Year Average ROIC	17.0%
Dividend Yield (current)	1.4%
Dividend Yield (expected)	1.5%
Dividend Payout Ratio	34.0%
5-Year Annual Dividend Growth	8.1%

The 5-Year Average ROIC figure excludes bank holdings.

Private Assets Allocation | Key Statistics²



commercial properties medical clinics multi-family properties pharmacies



KAI Health Services Inc.

12 pharmacies **7** medical clinics
33 pharmacists **62** physicians
1,160,000 Rx/year



KAI Properties Inc.

20 properties
762 multi-family units
134,031 sq ft commercial space

Investment Team

Paul Allard, CFA

Founding Partner | Advising Representative

Robert MacKay, CFA

Founding Partner | Advising Representative

Damian Roche, CFA

President & Portfolio Manager | Advising Representative

Denis Bosc, CFA

Portfolio Manager | Advising Representative

KAI Core Equity Pool

The investment objective of the Pool is to deliver consistent and positive investment returns to unit holders, with a constant focus on reducing the risk of permanent capital loss. The Pool is made up of publicly traded securities as well as shares of private equity corporations organized and managed by KAI Holdings Inc. The Pool offers unique downside protection characteristics as the Pool has the ability to hedge the portfolio. The hedge program is linked to general market declines and currency movements. The hedge program is intended to diminish losses in the case of significant adverse movements in markets or currency. The Pool utilizes the hedge program at its discretion and may use it during periods where the Investment Team believes there is greater risk of decline.

¹S&P Capital IQ, KAI Asset Management Inc. (KAM) analysis (April 2025) ²KAI Health Services (KHS) and KAI Properties (KPI) filings, presentations, and analysis as of April 4, 2025 except for annual prescription volume, which is estimated by management based on actual historical results and prescription trends within KHS pharmacies as of March 31, 2025. In situations of partial ownership, the number of KPI multi-family units and square feet of commercial space cited represent the proportion owned by KPI. | © KAI Asset Management Inc. (KAM) 2025 | KAM is a Portfolio Manager and Exempt Market Dealer registered in the provinces of Manitoba, Saskatchewan, British Columbia, Alberta, Ontario, and Yukon. The firm is also registered as an Investment Fund Manager (IFM) in the provinces of British Columbia, Manitoba, and Ontario. This communication is directed only to persons resident in those jurisdictions. The information contained herein is for general information purposes only and does not constitute an offer or solicitation of securities, managed account services, or advice on any specific security. The opinions set out herein are effective as at the date of publication and the authors do not undertake to notify the reader of subsequent changes. Certain general or market information contained herein has been obtained from sources believed to be reliable however KAM cannot guarantee their accuracy. Any opinions expressed in this newsletter are just that, and are not guarantees of any future performance or returns. 250415