

This commentary was written by our team and NOT outsourced to a third party. We will be giving some macro economic market updates on a weekly basis. No equity recommendations will be given in this commentary, and we encourage you to contact us if you have questions regarding our observations.



MACNICOL & ASSOCIATES
ASSET MANAGEMENT

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BEACONS OF THE WEEK

The two main purposes of a Lighthouse are to serve as a navigational aid and to warn ships (Investors) of dangerous areas. It is like a traffic sign on the sea.



Strombolicchio Lighthouse, Aeolian Islands, Italy

This 26-foot-tall lighthouse was built in 1925. The lighthouse sits on the summit of Strombolicchio, a sea stack. A sea stack is defined as a geological landform consisting of a steep and often vertical column or columns of rock in the sea near a coast, formed by wave erosion.



Baishamen Lighthouse, China

This lighthouse is the sixth largest in the world standing at 72 meters tall. The lighthouse acts as a landfall light for the city of Haikou. Haikou is located on an island off the coast of mainland China.

**Feel free to send us your photos of Lighthouses to be featured in our weekly market observations. **



52-week highs

A financial services company based in Mississauga reported very strong earnings late last week. The report has sent shares back to 52-week highs (as of the time of writing). The company we are discussing is one that we have followed for a considerable time and have exposure to across various client accounts. The company we are talking about is goEasy (GSY). GSY essentially offers credit to nonprime borrowers. The company has grown its loan portfolio substantially in recent years and is forecasted to continue to do so.

Our investment thesis for GSY is simple: the valuation is attractive, the company continues to grow, it has a strong dividend, and the company holds a strong market position in its industry. GSY's growth is being driven by growing demand from nonprime borrowers. We also believe that GSY has an industry-leading due diligence process, which minimizes investor risk. GSY also benefits from its credit strength and operational efficiency, which are both major focuses of leadership.

The company's high-level of earnings and revenue beat street estimates. Its earnings were highlighted by record loan growth and revenue. Loan originations for the quarter jumped 9% year-over-year, and GSY's loan portfolio grew to \$5.1 billion, exceeding its guidance range. GSY's loan portfolio has expanded by 23% over the last year. Net income jumped 32% YoY, driven by growing demand from consumers.

GSY management highlighted sales expertise, credit discipline, and the company's resilient business model as drivers of the strong quarter. The company reiterated its 2025 fiscal year guidance in its commentary.

After GSY released this earnings report, shares increased by more than 10% and are up 21% over the last month. GSY shares are approaching all-time highs reached in late 2021. Despite the run shares have gone on over the last month, shares remain cheap relative to earnings, cash flows, and book value. With the expansion of GSY's earnings, we remain bullish on shares and continue to like the risk-reward relationship of this stock. We also believe GSY's risk level is moderate on a stand-alone basis and minimal when combined with a well-diversified portfolio.

In terms of risk, we are watching a few things that could negatively impact GSY's share price, which could change our opinion. Those risks include competition, overall economic activity, rising interest rates, and regulatory changes. All investors should understand the risks associated with every position in their portfolio.

Disclaimer: MacNicol & Associates Asset Management holds shares of goEasy (TSX: GSY) across various client accounts.



No upside surprise

On Tuesday morning, before the bell, the U.S. Bureau of Labour Statistics released July's inflation data. From a broad perspective, CPI data came in line with economists' forecasts despite tariff pressure. Investors took this data as a win, as there was no upside surprise. However, this is the first time in six months that the core CPI has not come in lower than expected. Core CPI over the last year has increased 3.1% and overall CPI 2.7%. Core CPI increased from June's number by 0.2%. July was the first month since February that core CPI has been in the 3% range.

The CPI data almost confirms that the Federal Reserve will slash rates in September at its next policy meeting and begin to take a neutral stance on monetary policy. According to the CME FED Watch Tool, the probability of a September rate cut is once again above 90%; a month ago, traders saw a roughly 60% chance of a cut. Obviously, this is not guaranteed, and Chairman Powell and the FED could surprise us all and hold rates in place once again. The case for holding rates in place once again would be to combat tariffs, which consumers are just now beginning to feel.

Another conclusion we have begun to make from recent CPI data is that some large corporations have room to absorb price increases due to margin expansion in recent years. These firms are not completely passing along the effects of tariffs to consumers. This is allowing prices to remain stable and not shock the system through large monthly CPI increases. If this continues to be the case, we expect inflation to slowly perk up to an elevated level but not spike like we saw a few years ago. Bloomberg analysts also point to 'The Big Beautiful Bill' as a reason prices are not substantially jumping, as the Bill allows companies to absorb some of their supply chain price increases without eating into their earnings.

Regardless of how you spin it, rates have remained higher for much longer. Those who piled into bonds a few years back when rates rose, who bet on the FED rapidly cutting rates, have been caught holding the 'bag' (lower returns). This is a reason that we have remained on the sidelines in fixed income, especially on the long end of the curve.

China gets another extension

China received yet another trade deal deadline extension as President Trump pushed out the deadline to November 9th. Trump and his team know how important a trade deal is between the U.S. and China. It will be a complicated negotiation with lots of layers; it's better to be patient and thoughtful rather than rash, especially with an adversary. Trump also knows that if the tariff rate on Chinese goods increases in the short term, prices could explode, sending the CPI higher. This announcement from the White House is another 90-day trade truce between the two countries, meaning the tariff rate on imports from China will remain at 30% rather than moving higher.

If you remember, a few months ago, the U.S. slapped 145% tariffs on Chinese goods, which spooked consumers, investors, and the FED. This trade truce is a sign of good faith from both sides. Hopefully, they get something done over the next 90 days.



A contentious piece in the negotiations between the two countries comes from the technology sector, specifically semiconductors. Right now, semiconductor producers and designers can only sell inferior products in China. This has long annoyed Chinese leadership.

On Monday, the White House announced the details of an unprecedented revenue-sharing pact that allows Nvidia and AMD to sell select GPU chips in China. The two companies will pay the U.S. government 15% of revenues from certain chip sales to China. The deal with the Trump administration allows the companies to obtain export licenses to sell Nvidia's H20 chips and AMD's MI308 chips in China, a US official told CNN. Trump called the chips that will be available to Chinese companies "old," stating that the new versions are much more powerful and not available to China.

After this was announced, Chinese state media reportedly warned the Chinese public about this deal and the chips that will be allowed under this arrangement. Chinese officials have speculated that these American companies building inferior chips for Chinese companies have "backdoors" that impact their function and security. Nvidia has repeatedly denied these warnings. U.S. officials have had similar fears in regard to Chinese technology. The U.S. has banned the sale of Huawei and ZTE technology due to security concerns. Today's arms race comes in numerous facets that are multi-layered. We will have to see what happens next and if a trade deal is inked in the next 90 days. One thing is for sure: the Trump administration will not improve sanctions against Chinese firms getting their hands on the best U.S. tech; the only way this will change is if restrictions become even tighter.

AI company makes some noise

A well-known artificial intelligence firm, Perplexity, made a public bid for one of Alphabet's major assets and caught the eyes of many. Perplexity reportedly offered Alphabet \$34.5 billion for Google Chrome. The unsolicited bid comes as Alphabet awaits word from the courts in an antitrust case. The reported offer is almost two times the most recent valuation of Perplexity, which is valued at \$18 billion.

Reportedly, Perplexity was working with numerous venture capitalists who were helping back this transaction in full. Perplexity was founded three years ago and has already raised over \$1 billion. Perplexity's investors include SoftBank, Nvidia, and Jeff Bezos. Perplexity is a software company that offers a web search engine that processes user queries and synthesizes responses through artificial intelligence.

Perplexity is no stranger to headline-grabbing offers. In January, it made an unsolicited bid for TikTok U.S.

According to reports, Perplexity is not the only firm interested in purchasing Chrome. OpenAI, Yahoo, and Apollo Global Management have also expressed interest in purchasing the internet browser as regulatory pressure threatens Google's monopoly on the industry.

As consumers turn to chatbots like ChatGPT and Perplexity for answers, web browsers are regaining prominence as gateways to search traffic and user data.



Despite the splashy offer, we do not think this price tag is high enough for Chrome.

According to industry experts, Alphabet will more than likely receive at least \$50 billion when it sells its internet browser.

Canadian utility provider earnings update

A core holding in some of our portfolios reported earnings earlier this week and reported strong numbers. Hydro One, the Canadian utility provider, reported earnings per share of \$0.54 and revenues of \$2.066 billion. EPS beat street estimates, while revenue slightly missed. Both metrics increased on a year-over-year basis. The higher revenue was driven by increased energy consumption, and the Ontario Energy Board approved the 2025 transmission. The company announced its quarterly dividend of \$0.3331 payable on September 29, 2025. Hydro One is on track to increase its annual dividend every year since 2016, reflecting the company's continued growth.

During the quarter, Hydro One invested over \$900 million in capital and placed almost \$600 million of new assets in service. Both numbers surpassed last year's. During the company's earnings call, management highlighted the company's ongoing efforts to enhance the Province of Ontario's electricity transmission and distribution reliability. These ongoing efforts include replacing aging infrastructure and supporting increased loads for new customers.

From a regulatory standpoint, Hydro One mentioned the Ontario Energy Board, which it benefits from. The Ontario Energy Board sets rates that Hydro One and other companies can charge. The company also benefits from the Ontario Energy Board performance-linked incentives based on operational performance; this program is an earnings growth driver. The company is also looking for \$225 million in restoration costs from the March 2025 ice storms.

Management said on the company's earnings call that they forecast earnings-per-share to grow annually by 6-8% through 2027. Management highlighted the risks that the company faces from an operating and financial perspective. The company also acknowledged the company's slightly expensive valuation relative to earnings, stating that shares are trading at a slight "premium". We agree with that sentiment from management, but believe the company's consistency, discipline, and long-term growth prospects allow us to justify the valuation.

This earnings report was strong in our eyes, and management continues to forecast sustained growth driven by strategic initiatives. Hydro One will continue to play a vital role in Ontario's energy transition as the company focuses on decarbonization and electrification.

Hydro One shares moved slightly lower after this earnings report but are up over 15% year-to-date.

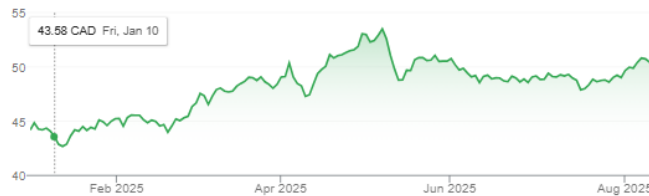
Market Summary > Hydro One Ltd

50.92 CAD

+6.73 (15.23%) ↑ year to date

Aug 13, 2:11 p.m. EDT • Disclaimer

1D 5D 1M 6M YTD 1Y 5Y Max



Open	50.45	Mkt cap	30.53B	52-wk high	53.98
High	51.40	P/E ratio	25.05	52-wk low	42.52
Low	50.45	Div yield	2.62%	Qtrly Div Amt	0.33

Disclaimer: MacNicol & Associates Asset Management holds shares of Hydro One (TSX: H) across various client accounts.

Changing world

This week, the UFC made a surprising announcement in which they announced a \$7.7 billion deal with Paramount and CBS. The company is ditching ESPN and its old pay-per-view model. Historically, main cards could only be watched by buying them on your television. ESPN had the exclusive cable rights to UFC and aired the smaller matches, press conferences, and other events. This deal gives CBS and Paramount the exclusive rights to air the UFC. The annual cost of the deal is \$1.1 billion, and the payment structure is weighted heavily at the end of the deal. CBS and Paramount are paying double what ESPN currently pays for the UFC's media rights.



This deal is only for the UFC's U.S. rights, according to insiders. Paramount and CBS are also interested in the UFC's international rights when they become available.

According to CBS and Paramount, every fight (main cards and smaller fights) will be available to normal subscribers of Paramount+. A select number of events will also be simulcast on CBS.

This deal comes into effect as of 2026. The deal revolutionizes sports media rights and places the UFC in a new category as one of the worlds most valuable sports. The deal places the UFC close to the likes of the MLB and NASCAR and above the NHL and PGA Tour in terms of media deals in the U.S.



Even if you are not a fan of the UFC, this deal is huge for media and media rights as a whole. Streaming companies continue their full-court press into live sports. It seems like live sports are their next growth engine.

The UFC is owned by TKO Group Holdings, which is listed on the NYSE and boasts a market capitalization of \$38 billion. TKO Group Holdings owns the UFC, WWE, boxing assets, broadcasting assets, other sports enterprises, and On Location Events. Shares jumped heavily after this new UFC deal was announced. The WWE made a similar move over the last year as Netflix purchased its exclusive rights.

Market Summary > TKO Group Holdings Inc

190.23 USD

+47.50 (33.28%) ↑ year to date

Aug 13, 2:24 p.m. EDT • Disclaimer

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



Paramount Global also trades publicly on the Nasdaq. The company's main properties include CBS Entertainment Group, Paramount Media Networks, and Paramount Streaming. The company is led by David Ellison, the son of Larry Ellison (Founder of Oracle and the world's second richest person). Paramount recently completed a merger with Skydance last week. David Ellison became CEO of the combined company only last week and already appears to have made a big splash.

MacNicol & Associates Asset Management

August 15th, 2025