

Finding Tomorrow's Blue Chip Stocks Today

A discussion about NCM Income Growth Class with



Alex
Sasso, CFA

Portfolio Manager

November 2025

Canada is quietly delivering strong results. Smaller companies are hitting their stride. And a new generation of dividend-paying leaders is emerging. We sat down with Alex Sasso, long-time manager of NCM Income Growth Class, to talk markets, commodities, and where he's finding opportunity today.



Q: Trump and tariffs were big themes in 2025. How did you navigate it?

Alex: Markets initially loved the election outcome based on expected tax cuts. Then it became clear tariffs would be a much bigger part of policy. The U.S. market dropped about 19%, which is one percent away from a formal bear market, before rebounding when tariff hikes were delayed.

I took a proactive approach. I built up cash early, which gave me flexibility to act as the landscape evolved. You can't time things perfectly, but as we wrap up October, NCM Income Growth Class remains roughly 1.5% ahead of its peer group year-to-date.

I've been running this fund since its inception in 2006. Over nearly 20 years, you get better at recognizing patterns and knowing when to be patient and when to move decisively.

Q: How are you positioned now?

Alex: We've been gradually deploying cash through the year. One of our key strategic moves was reducing companies that could be negatively affected by tariffs and increasing exposure to technology.

Tech isn't tariff-sensitive, and Canada has excellent small- and mid-cap tech names trading at large discounts to the big Canadian players, and even larger discounts versus the U.S.

One example is **Descartes Systems**. They run a global logistics network that helps companies move goods across borders and navigate tariffs and customs. With all the tariff uncertainty, they're in a great spot. They solve a global problem and they do it incredibly well.

Another one is **D2L**. They're a Canadian leader in education technology. They support teachers, content creators, and students with a full digital learning ecosystem. Whether it's managing content, delivering lessons, or supporting remote learning, they're world-class.

These are Canadian businesses solving international problems. In my view, they have significant runway ahead.

Q: Where do you see the market going from here?

Alex: In the U.S., earnings have been robust, the consumer has been resilient, unemployment hasn't been as bad as expected, and the Fed has been cutting rates. Better earnings, resilient consumers, and Fed support has created a pretty powerful scenario. The U.S. market has been very strong, and so has Canada.

We've had a more aggressive central bank in Canada, and that has benefited mortgage holders, debt holders, and corporations. When the cost of debt goes down, value shifts from debt holders to equity holders. Lower rates mean higher earnings, and higher earnings usually mean better stock prices.

The economy has been sluggish, but businesses have been growing bottom lines, not just through cost-cutting, but real revenue growth. Canada trades at a discount to global markets despite offering similar expected earnings growth. That's better value for the money. Some of that comes from the resource sector, which does deserve a lower multiple because earnings are more volatile, but overall we see a positive outlook.

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Q: Gold and copper are getting a lot of attention. What's your view?

Alex: Gold has flourished in this environment. It has a place in a portfolio as it's a non-correlated asset. You'll get spurts where it does really well and periods where it lags. We don't think it should be a big part of a portfolio, but it should be part of how you invest because uncorrelated assets help in tough markets.

We play it through both the producers and the picks-and-shovels companies. For example, **Major Drilling** can benefit as gold and copper companies drill to expand their resources. As reserves shrink over time, it creates opportunity for drillers.

Copper is very much still an important story. Data centres have been a big part of the economic resilience in North America, and copper is a key beneficiary. We expect the next few years to be supply-constrained relative to demand. We've known for a while that the supply/demand fundamentals for copper look great.

Q: What about smaller Canadian companies?

Alex: Small- and mid-caps are performing well. Cost of capital is falling, revenue and earnings are growing, and valuations remain meaningfully discounted versus large caps in Canada and globally. Price-to-book, price-earnings, and price-to-cashflow are all discounted, and they're generating strong free cash flow.

There's a perception that smaller companies tend to be higher-risk or "story stocks," but that's not how we approach this segment at all. We're talking about high-quality, cash-rich businesses. Many of these companies have the potential to be a blue chip stock of tomorrow.

People ask if the run is over. I think it's still early. The way to play it is to have a manager who really knows the space and can build a concentrated portfolio—someone who can differentiate the really good companies from the rest.

Q: You've outperformed your peer group for nearly 20 years. How and why?

Alex: I think it comes down to our methodology. First, we benefit from our quantitative research. That increases the probability of selecting stocks that outperform.

Then we layer on fundamental work. When I see a company moving up in our quant rankings and the fundamentals confirm a strong moat, strong revenue growth, and operational leverage, that's when I get excited.

In my experience, a concentrated portfolio of your best ideas, backed by both math and fundamentals, puts the odds in your favour over time. Not every month or every quarter, but over years, it works.

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Q: What's your message to investors today?

Alex: True diversification includes small- and mid-cap exposure. Yet with large and mega-cap names dominating indices and many of the large funds, investors may be under-allocated without realizing it.

When we run portfolio comparisons, we often see the same holdings appear over and over—the same banks, same telecoms. NCM Income Growth Class has roughly 3% overlap with the largest funds in the Canadian Equity Balanced category. That's what real diversification looks like.



And in my view, this is a compelling moment for small and mid-caps: strong earnings, attractive valuations, and global interest in Canadian companies. We’ve all seen the U.S. acquirers stepping in to buy our businesses, because they recognize the value.

From a portfolio construction standpoint, we’ve been talking to advisors about allocating 15% to 25% to small- and mid-cap strategies depending on the investor’s time horizon and risk tolerance. Younger investors with a long runway can justify a higher allocation, and those who are

closer to retirement may hold a smaller weight, but can still benefit from the diversification and growth profile.

For me, NCM Income Growth Class is a core equity sleeve. It looks different, behaves differently, and is backed by a long track record and a disciplined process.

Speak to your NCM sales team to learn more about how these funds can fit in your client portfolios.

FUND CODES

	F	A	T6	F6
 NCM INCOME GROWTH CLASS <i>Canadian Equity Balanced</i>	NRP 500	NRP 503 (AA)	NRP 506	NRP 509



NCM Asset Management Ltd.
Head Office 1800-333 7th Avenue S.W., Calgary, AB T2P 2Z1 | 310-99 Yorkville Avenue, Toronto, ON M5R 3K5
client services: (877) 531-9355 | toll-free: (877) 431-1407 | info@ncminvestments.com | ncminvestments.com

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