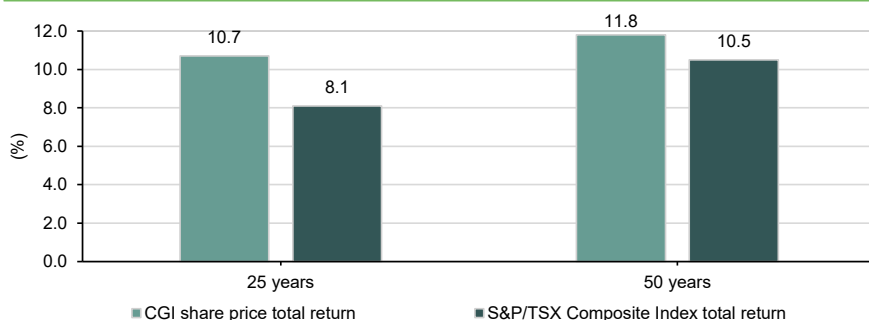


Canadian General Investments

Benefiting from long-term compound returns

Canadian General Investments (CGI) offers active exposure to Canadian equities, supplemented by selective US holdings, a patient stock-selection approach and a steadily rising dividend. Over the 12 months to the end of September 2026, CGI's NAV total return was 8.6% and its share-price total return was 14.2%, compared with 20.0% for the S&P/TSX Composite Index, all in Canadian dollars. Recent relative returns have been negatively affected by CGI's longstanding financials underweight, but the much longer record remains the more important evidence: over the 25 and 50 years to the end of 2025, CGI's annualised share-price total returns were 10.7% and 11.8%, respectively, versus 8.1% and 10.5% for the benchmark.

Exhibit 1: Long-term share price outperformance vs the Canadian market



Source: CGI, Edison Investment Research. Note: Data to 31 December 2025.

Why consider CGI?

CGI has an unusually long record over which to assess its strategy. Patient ownership, low turnover (currently running at a single-digit annualised rate) and benchmark independence have enabled successful investments to compound over many years. CGI's performance record includes periods of material relative underperformance, but the 25- and 50-year evidence supports judging the strategy over full market cycles.

The portfolio provides materially broader sector exposure than the bank- and resource-heavy Canadian index. At the end of September 2026, information technology and industrials represented 20.9% and 20.4% of the portfolio respectively, both of which were meaningful overweight positions, while financials accounted for 13.6% versus 34.4% of the benchmark. The ability to invest up to 25% in the US further expands CGI's opportunity set, and has been beneficial to the fund's performance in recent years.

CGI has declared a fourth interim dividend of C\$0.31 per share, taking the total FY26 payment to C\$1.24 per share, up 14.8% y-o-y and marking a 13th consecutive annual increase. This is the second consecutive year that the company has declared two regular taxable dividends followed by two capital gains dividends. If this pattern continues, it bodes well for future dividend growth given the company's C\$1.3bn in unrealised gains. CGI's shares continue to trade at a substantial discount to NAV; given the structural reasons for its persistence, the investment case does not depend on the discount narrowing.

Investment companies
Canadian equities

28 October 2026

Price **C\$51.72**
Market cap **C\$1,079m**
Total assets **C\$2,040m**

NAV C\$87.0

¹NAV at 27 October 2026.

Discount to NAV 40.5%

Current yield 2.4%

Shares in issue 20.9m

Code/ISIN CGI/CA1358251074

Primary exchange TSX

AIC sector North America

Financial year end 31 December

52-week high/low C\$54.3 C\$44.4

NAV high/low C\$92.4 C\$75.6

Net gearing 12.3%

¹Net gearing at 30 September 2026.

Fund objective

Canadian General Investments' objective is to provide better-than-average returns to shareholders by investing in a diversified portfolio of primarily Canadian equities. It aims to achieve this through prudent security selection, timely recognition of capital gains/losses and appropriate use of income-generating instruments. CGI's performance is measured against the S&P/TSX Composite Index.

Bull points

- Diversified portfolio of North American equities.
- Very long-term record of outperformance versus the benchmark.
- Rising regular quarterly dividends.

Bear points

- Performance under pressure from narrow sector leadership.
- High level of family ownership, likely contributes to a consistently wide discount.
- Gearing will amplify capital losses during a market sell-off.

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**Canadian General Investments
is a research client of Edison
Investment Research Limited**

CGI: A differentiated route to Canadian equity compounding

Established in Ontario in 1930, CGI is North America's second-oldest closed-end equity fund and has been managed by Morgan Meighen & Associates (MMA) since 1956. Greg Eckel has led the portfolio since 2009. The strategy seeks to add value through prudent stock selection, timely recognition of capital gains/losses and investment in appropriate income-generating instruments, with a willingness to construct a portfolio that looks materially different from the Canadian equity index. CGI's long-term outperformance record suggests that this approach has been successful, while structural gearing has also contributed to returns since its introduction in 1998.

Over the 25 years to the end of 2025, CGI's share-price total return of 10.7% pa exceeded the S&P/TSX Composite Index by 2.6pp pa, while the 50-year return of 11.8% pa exceeded the benchmark by 1.3pp pa. The difference between investment outcomes becomes substantial when compounded: C\$10,000 invested in CGI 50 years prior to 31 December 2025, would have grown to c C\$2.6m, compared with c C\$1.5m from an investment in the index. Over the 10 years to September 2026, CGI delivered annualised NAV and share-price total returns of 14.6% and 14.3%, respectively, versus 12.4% for the benchmark.

Exhibit 2: Small annual return differences compound materially over decades

	Period (years)	Original investment (C\$)	Annual total return (%)	Final investment (C\$)
CGI	25	10,000	10.7	126,967
S&P/TSX Composite Index	25	10,000	8.1	70,088
CGI	50	10,000	11.8	2,642,957
S&P/TSX Composite Index	50	10,000	10.5	1,472,699

Source: CGI, Edison Investment Research. Note: To 31 December 2025. Dividends reinvested.

The investment approach is predominantly bottom up. Eckel is supported by assistant portfolio manager Victor Cheung, who joined MMA in January 2024 with more than 15 years' experience across North American and global equities, and has formally served as CGI's assistant portfolio manager since July 2025. They seek reasonably valued companies with favourable fundamentals and capable management teams. Eckel has a history of successively backing good management teams that may move between companies due to mergers and acquisitions. The portfolio typically contains around 50–60 holdings, while low turnover underlines the intended long-term investment horizon; current turnover is running at a c 7.0% annualised rate, implying a c 14-year average holding period. Annual portfolio turnover has averaged 8.2% over the last five years, in a range of 2.1–13.7%. This illustrates a willingness to own successful businesses for many years rather than continually recycling the portfolio, although positions are reassessed regularly to ensure they are sized correctly and investment cases are still valid.

NVIDIA, first purchased in 2016, is a clear example, while other longstanding investments include Franco-Nevada and Dollarama. More recently, CGI identified Celestica before AI-related data-centre investment became one of the dominant equity-market themes; the position was initiated in 2024 and Celestica was the portfolio's largest holding in September 2026.

Benchmark independence broadens the opportunity set further. Under current board policy, up to 25% of the portfolio may be invested in US equities and no individual sector may represent more than 35%. These limits provide diversification without forcing the portfolio to resemble the S&P/TSX Composite Index. The consequence is that short-term relative performance can diverge substantially from the market; the benefit is that the managers are not obliged to own a sector simply because it has a large benchmark weight.

Canada offers more than banks, energy and mining

Canadian equities have continued to deliver positive returns in 2026, although leadership has remained concentrated. The S&P/TSX Composite Index returned 13.0% in Canadian dollars over the first nine months of the year, following gains of 31.7% in 2025, 21.7% in 2024 and 11.8% in 2023. Energy led the market in the first nine months of 2026 (9M26) with a 27.7% total return, followed by financials at 19.5% and materials at 10.7%. In contrast, information technology returned -2.8%, real estate -3.9% and communication services -13.6%.

Exhibit 3: S&P/TSX Composite Index sector total returns (% unless stated)

	9M26 TR (%)	2025 TR (%)	2024 TR (%)	2023 TR (%)	2022 TR (%)	2021 TR (%)	2020 TR (%)	Number of cos	Weight (%)
Energy	27.7	19.3	23.8	6.7	30.9	49.0	(26.6)	36	16.3
Financials	19.5	35.3	30.1	13.9	(9.4)	36.6	1.7	23	34.4
Materials	10.7	100.7	21.4	(1.3)	1.8	4.1	21.2	60	18.4
Utilities	9.3	19.7	13.8	0.2	(10.6)	11.7	15.3	13	3.3
Industrials	6.8	3.1	9.7	11.9	1.5	16.5	17.0	30	10.2
Healthcare	3.0	0.4	8.2	18.3	(61.6)	(19.6)	(23.0)	5	0.3
Consumer staples	1.3	12.8	19.1	12.2	10.1	22.4	4.3	10	3.0
Consumer discretionary	(0.7)	31.0	11.9	11.0	(6.0)	18.5	17.1	8	2.9
Information technology	(2.8)	23.1	38.0	69.2	(52.0)	18.5	80.7	9	8.6
Real estate	(3.9)	4.2	5.6	7.1	(21.5)	37.5	(8.7)	17	1.2
Communication services	(13.6)	11.0	(21.1)	(3.9)	(2.6)	24.7	(3.7)	5	1.5
S&P TSX Composite	13.0	31.7	21.7	11.8	(5.8)	25.2	5.6	216	100.0

Source: Bloomberg, CGI, Edison Investment Research. Note: Data at 30 September 2026.

Financials, materials and energy represented c 69% of the index at the end of September 2026. These sectors also contained 119 of its 216 constituents, or around 55% of the total. Hence, the perception of Canada as a market dominated by banks and natural resources has a firm basis. However, the remaining index still contains substantial industrial, technology, consumer and other businesses, and CGI's benchmark-independent approach gives the managers scope to allocate much more heavily to these areas when they identify better opportunities.

The portfolio provides exposure to several areas that the managers consider capable of benefiting from structural investment trends. Celestica and NVIDIA are linked to AI infrastructure; Cameco and NexGen Energy provide uranium exposure; Franco-Nevada and First Quantum Minerals add precious- and industrial-metals exposure; and MDA Space, Bombardier, Aecon and Canadian Pacific Kansas City provide different routes into aerospace, infrastructure and transportation. These themes are the result of individual stock decisions rather than predetermined top-down allocations.

Benchmark independence remains pronounced

CGI's largest active positions remain significant. At the end of September 2026, information technology represented 20.9% of the portfolio versus 8.6% of the S&P/TSX Composite Index, while industrials accounted for 20.4% versus 10.2%. The most conspicuous difference remained financials: CGI's 13.6% weighting was 20.8pp below the benchmark's 34.4%.

Exhibit 4: Portfolio sector exposure versus the benchmark (% unless stated)

Sector	Portfolio at 30 September 2026	Portfolio at 30 September 2025	Change (pp)	Benchmark at 30 September 2026	Active weight (pp)
Information technology	20.9	24.7	(3.8)	8.6	12.3
Industrials	20.4	19.4	1.0	10.2	10.2
Materials	17.1	15.5	1.6	18.4	(1.3)
Energy	15.5	12.7	2.8	16.3	(0.8)
Financials	13.6	14.0	(0.4)	34.4	(20.8)
Consumer discretionary	9.0	8.8	0.2	2.9	6.1
Real estate	1.9	4.0	(2.1)	1.2	0.7
Communication services	1.4	0.6	0.8	1.5	(0.1)
Healthcare	0.0	0.0	0.0	0.3	(0.3)
Consumer staples	0.0	0.0	0.0	3.0	(3.0)
Utilities	0.0	0.0	0.0	3.3	(3.3)
Cash & cash equivalents	0.2	0.3	(0.1)	0.0	0.2
Total	100.0	100.0		100.0	

Source: CGI, Edison Investment Research. Note: Numbers subject to rounding.

The financials underweight is a longstanding portfolio characteristic rather than a short-term market call. CGI does own three Canadian banks, Royal Bank of Canada, Bank of Montreal and Toronto-Dominion Bank, but the managers have historically found more attractive opportunities elsewhere. Eckel explains that banks make up around 25% of the index, so if the portfolio has a market weight, there is just 75% remaining with which to outperform the market. CGI's bank holdings make up around 8% of the portfolio.

Technology exposure is spread across businesses including Celestica, NVIDIA, Shopify, Apple and Descartes Systems, while the industrial portfolio includes Canadian Pacific Kansas City, TFI International, MDA Space and WSP Global. Hence, the two large sector overweights encompass several different economic drivers rather than a single narrow theme.

CGI's portfolio has also evolved. Information technology represented 24.7% at the end of September 2025 and had fallen to 20.9% a year later, while energy increased from 12.7% to 15.5% and materials from 15.5% to 17.1%. These movements partly reflect active portfolio changes, including greater exposure to uranium and precious metals, but are

also due to relative share-price performance affecting portfolio weights.

Country positioning has remained broadly stable: Canadian equities represented 81.1% of the investment portfolio at the end of September 2026 and US equities 18.7%, which is comfortably within the strategy's maximum 25% foreign allocation. The remaining 0.2% of the portfolio was cash and equivalents.

Exhibit 5: Top 10 holdings at 30 September 2026

Company	Country	Industry	30-Sep-26	30-Sep-25
Celestica	Canada	Electronic components	5.5	6.4
NVIDIA Corporation	US	Semiconductors	5.4	5.3
Franco-Nevada Corp	Canada	Gold mining	4.9	4.8
Canadian Pacific Kansas City	Canada	Railroads	3.4	3.2
First Quantum Minerals	Canada	Metals & mining	3.4	3.0
Royal Bank of Canada	Canada	Banks	3.4	N/A
Shopify	Canada	Internet services	3.3	3.5
Bank of Montreal	Canada	Banks	3.2	N/A
Apple	US	Technology	3.1	N/A
TFI International	Canada	Transport & logistics	3.0	N/A
Top 10 total			38.6	38.4

Source: CGI, Edison Investment Research. Note: N/A where not in end September 2025 top 10.

The extent of CGI's differentiation versus the S&P/TSX Composite Index is both an opportunity and a risk. It allows successful stock selection to add meaningful value, but it also means benchmark sector leadership can overwhelm positive company-level performance for a period. This has been particularly evident in recent quarters when Canadian banks and resource stocks have led the market.

Recent portfolio activity

The manager highlights the H126 portfolio changes, along with more recent transactions. Construction and infrastructure development company **Aecon** was added to the portfolio in H126, and was covered in our May 2026 [review](#). Eckel says that Aecon is a typical CGI investment, with a potential value-enhancing catalyst. The company has been reshaping its business towards higher-margin activities, while its project backlog has grown substantially. Aecon also has an established nuclear business representing around 30% of revenue and is the leading contractor for the refurbishment and new construction of Canada Deuterium Uranium reactors. Eckel sees opportunities from both Canadian infrastructure investment and longer-term nuclear development.

Another new holding is **Bird Construction**, which is unusual in that it is a national rather than regional operator. The company is benefiting from activity related to the Build Canada Act, and Canada is launching a multi-billion-dollar Arctic defence infrastructure plan to open up and secure the Far North region. Bird is transitioning from a fixed-price to a collaborative contracts model, where any contract upside or cost overruns are shared between the project owner and the contractor, which should result in Bird having less profit volatility and lower losses. The company has a strong balance sheet and expanding margins, and is delivering all-time-high revenues and a record backlog. Eckel believes that Bird has the potential to be another strong, long-term portfolio holding.

A few positions have been sold. **Open Text** is a software company caught up in the industry sell-off due to AI disruption concerns. The company is also going through a management transition and is selling non-core assets. **goeasy** is a non-prime consumer lending and leasing company, which is experiencing higher loan loss provisions and navigating a management change. In anticipation of rising rates, Eckel expects real estate stocks to struggle, so he sold the remaining position in **Colliers International** and has sold part of the **StorageVault** position, while remaining mindful about low liquidity in this stock. Another portfolio exit was **Home Depot** as the manager is reducing consumer exposure due to the rising cost of living. Home Depot had been in the portfolio since 2015 and sale proceeds were 2.5x the original investment. The notable reduction in spending on appliances and major home improvement projects is likely to have a negative impact on Home Depot's sales.

The manager's perspectives on the investment backdrop

Eckel considers the overriding macroeconomic concern to be trade tensions, which are negatively affecting confidence at the individual and corporate levels. There have been no immediate hits to CGI's portfolio as it does not have exposure to sectors that are directly negatively affected by tariffs, such as steel, auto or lumber stocks. However, there are likely to be secondary and tertiary portfolio effects. Trade tensions are affecting the whole market to some degree. Some new tariffs are being introduced, while others are being repriced.

Regarding interest rates, while recent Canadian inflation data were higher than expected, core inflation remains in the low 2% range. However, the Bank of Canada is becoming more hawkish; having been on hold at a 2.25% overnight rate since October 2025, the interest rate was increased by 25bp on 28 October 2026. There is concern about continued elevated energy prices filtering into the broader economy. Trade talks have been dead since August 2026 and with the upcoming US mid-term elections there is a stalemate. The resulting uncertainty is the elephant in the room for the economy and markets. A new range of tariffs is due on 1 January 2027, but against this backdrop corporate results have been very strong. Eckel reports that earnings have been resilient, leading to widespread estimate upgrades that are continuing, despite the uncertain macroeconomic backdrop.

The manager highlights some interesting domestic growth initiatives. The Build Canada Act was brought in by Prime Minister Carney in 2025 to make the Canadian economy less dependent on other countries. There is streamlined approval (within one year) for major building projects in selected industries, including pipelines, ports and critical minerals. An example is the doubling of pipeline capacity out of Alberta into British Columbia for increased exports to the Far East. Canada has also been focused on attracting external investment. In September 2026 there was a multi-day Canadian Investment Summit, which attracted a good turnout of high-end participants from both business and political backgrounds. There are also lower taxes for new investment; Canada has the lowest marginal tax on new investment of the G7 countries at 50% of the US rate, which is the second-lowest in the G7.

CGI has underperformed recently because Canadian market leadership is concentrated in energy and financial stocks, which we discuss in more detail in the Performance section. In the late summer, there were signs that the market was broadening out, but this proved to be short-lived. With the overhangs of the US mid-term elections and trade uncertainties, the stock market is in limbo. Also, headlines regarding the US-Iran war can lead to periods of sharp volatility both on an intra-day and day-to-day basis.

Canada remains inexpensive versus the US. While it should naturally trade at a discount due to the US having a larger weighting in growth stocks and Canada having a higher exposure to cyclical stocks, the multiple differential remains towards the high end of the historical range.

Many of the long-term growth themes in the market are premised around AI. There is now increased discussion about the extent of and the level of profitability in the AI infrastructure build-out. Many hyperscalers have switched their project funding from free cash flow to debt. These higher debt loads will have to be serviced, with the liabilities increasing as interest rates rise. The increased credit risk involved in building out AI infrastructure is being reflected in higher credit default swap spreads.

Long-term outperformance comes with periods of divergence

Looking at the most recent reporting period, in H126, CGI's NAV returned 8.6% compared with 11.2% for the S&P/TSX Composite Index. Financials was the principal driver of the benchmark return and CGI's large underweight position in Canadian banks detracted from relative performance despite strong returns from its individual bank holdings.

Positive stock-level contributors in H126 included MDA Space, which more than doubled, TFI International (share price +44.6%), Celestica (+27.4%) and NVIDIA (+11.3%). Detractors included WSP Global (-28.9%), Stantec (-24.1%), Open Text (-28.2%), Constellation Software (-19.0%), Descartes Systems (-18.4%) and Colliers International (-33.9%).

However, CGI's recent relative performance weakness needs to be considered alongside its much stronger longer-term record. The portfolio's large active positions mean periods of substantial divergence from the benchmark are inevitable, so performance is best assessed over several market environments rather than a single year.

Exhibit 6: AIC North America sector (excluding Pershing Square Holdings) at 23 October 2026 (£)*

% unless stated	Market cap (£m)	NAV TR 1Y	NAV TR 3Y	NAV TR 5Y	NAV TR 10Y	Discount	Ongoing charge	Performance fee	Net gearing	Dividend yield
Canadian General Investments	562.9	8.3	51.6	36.8	230.8	(40.6)	1.4	No	108	2.5
Baillie Gifford US Growth	998.5	31.0	115.0	15.0		(7.6)	0.8	No	102	0.0
BlackRock American Income	204.9	34.5	69.2	71.4	176.9	1.0	0.8	No	100	5.5
JPMorgan American	1,951.6	10.4	65.3	82.0	281.8	(3.3)	0.8	No	106	1.0
North American Income Trust	489.7	20.8	64.0	71.0	153.3	(4.4)	0.8	No	107	2.8
Average	841.5	21.0	73.0	55.2	210.7	(11.0)	0.8		105	2.3
Rank (out of 5 funds)	3	5	5	4	2	5	1		1	3

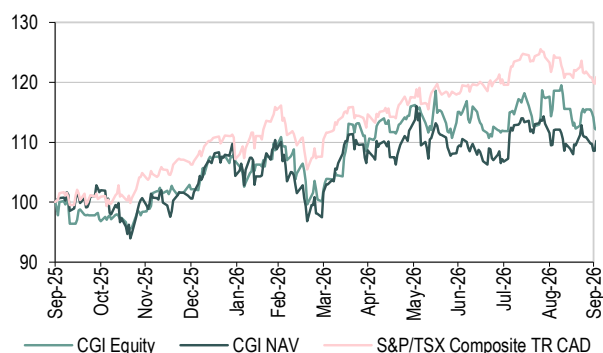
Source: Morningstar, Edison Investment Research. Note: *Performance to 22 October 2026. TR = total return.

Excluding Pershing Square Holdings because of its markedly different concentrated strategy, there are now just five companies in the AIC North America sector. CGI is the only Canadian specialist following Middlefield Canadian Income's

conversion to an active exchange traded fund, so a direct comparison is imperfect, but does have some merit.

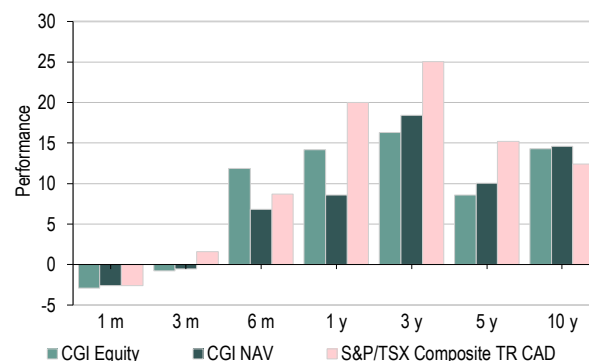
CGI has an above-average NAV total return over the decade, ranking second out of four funds. However, the recent tough performance period has negatively affected CGI's rankings over the last one, three and five years. The company continues to have, by far, the widest discount and the highest ongoing charge. CGI has the highest level of gearing and a modestly above-average dividend yield, ranking third behind the two income funds in the sector.

Exhibit 7: Price, NAV and benchmark total return, one year rebased



Source: LSEG Data & Analytics, Edison Investment Research

Exhibit 8: Price, NAV and benchmark total return (%)



Source: LSEG Data & Analytics, Edison Investment Research.
Note: Three-, five- and 10-year figures annualised.

CGI's relative returns are shown in Exhibit 9. The company remains significantly ahead of its benchmark over the last decade in both NAV and share price terms, but underperformance since late 2025 has had a negative impact on the one-, three- and five-year periods. However, periods of underperformance should not be unexpected given the managers' unconstrained approach. Investors taking a long-term view have been rewarded, as CGI has generated commendable annual 10.7% and 11.8% share price total returns over the last 25 and 50 years respectively to the end of 2025.

Exhibit 9: Share price and NAV total return performance, relative to indices (%)

	1 month	3 months	6 months	1 year	3 years	5 years	10 years
Price relative to S&P/TSX Composite	(0.3)	(2.4)	2.9	(4.9)	(19.6)	(25.5)	18.2
NAV relative to S&P/TSX Composite	(0.0)	(2.1)	(1.7)	(9.5)	(15.1)	(20.5)	21.6
Price relative to MSCI Canada	(0.5)	(2.4)	1.9	(5.2)	(20.7)	(27.6)	16.1
NAV relative to MSCI Canada	(0.2)	(2.2)	(2.7)	(9.8)	(16.3)	(22.7)	19.4
Price relative to MSCI World	(4.1)	(2.8)	(5.3)	(3.3)	(17.3)	(24.8)	0.3
NAV relative to MSCI World	(3.8)	(2.5)	(9.6)	(8.0)	(12.8)	(19.8)	3.1

Source: LSEG Data & Analytics, Edison Investment Research. Note: Data to end September 2026. Geometric calculation.

Commenting on CGI's performance in 2026, Eckel highlights that concentrated market leadership has been detrimental. At the end of September, energy was the sector leader with a c 28% total return. CGI's energy allocation is broadly in line with the c 16% index weight but around 35% is held in uranium stocks, plus there is an exposure to energy infrastructure via positions in Enbridge and TC Energy. These two subsectors lagged the performance of other areas in the energy sector, including exploration and production. Within financials, the largest subsector is banks with a c 25% index weight and these stocks have rallied by more than double the c 13% market move in 9M26. This is supported by strong earnings growth, which the manager suggests is very unusual. With its c 8% allocation to banks, CGI cannot compete with this major performance headwind. Eckel comments that CGI is likely to continue to face performance headwinds until Canadian sector market leadership broadens out.

Eckel points to CGI's historical strong investment returns, that have been generated from successful bottom-up stock selection. He believes that the current performance headwinds will subside, providing a much greater opportunity for a diversified fund to outperform. The manager notes that even small positions can have a positive impact on CGI's performance, and he is looking for better performance from areas of the portfolio where fundamentals remain robust but where there is a lack of investor interest. These include uranium and engineering stocks, which have been weak due to concerns about AI disruption. This development has also caused weakness in software stocks, but sentiment towards these names has started to improve, which has led to share price recovery.

Exhibit 10: CGI's NAV performance versus the benchmark, last five years



Source: LSEG Data & Analytics, Edison Investment Research

The central performance question is therefore not whether CGI can match the benchmark every year. Its material active weights make that unlikely. Rather, investors need to judge whether the managers can continue to add sufficient value from stock selection and portfolio construction over a full cycle to compensate for periods when benchmark concentration works against them.

Exhibit 11: Five-year discrete performance

12 months ending	Share price (%)	NAV (%)	S&P/TSX Composite (%)	MSCI Canada (%)	MSCI World (%)
30/09/22	(22.0)	(20.5)	(5.4)	(5.0)	(12.4)
30/09/23	23.1	22.2	9.5	10.7	20.6
30/09/24	15.2	22.3	26.7	27.6	32.9
30/09/25	19.6	25.0	28.6	29.0	21.3
30/09/26	14.2	8.6	20.0	20.4	18.0

Source: LSEG Data & Analytics, Edison Investment Research. Note: All % on a total return basis in Canadian dollars.

Progressive distributions provide a growing contribution to returns

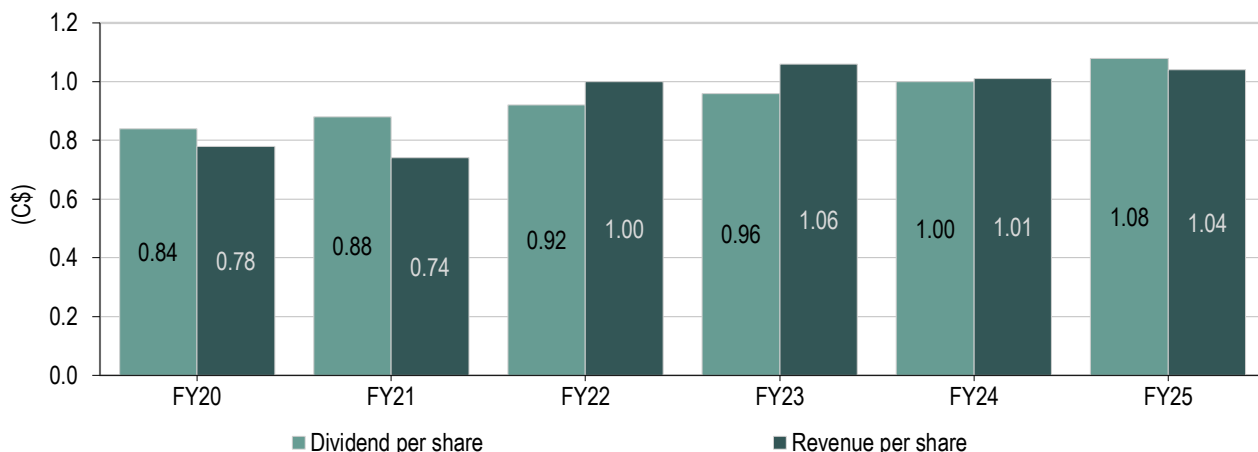
CGI pays regular quarterly dividends, which are distributed in March, June, September and December. CGI's investment-corporation tax status makes the dividend structure unusual as they may be paid out of income (taxes of 33% paid on income are recoverable) or realised capital gains (taxes paid or payable of around 20% on realised capital gains are also recoverable). CGI's dividend has become an increasingly important part of its shareholder proposition. The board adopted a progressive distribution policy in 2013 and quarterly payments have risen steadily since then.

Between FY18 and FY24, quarterly dividends were increased by C\$0.01 per share each year, with the annual distribution rising from C\$0.70 to C\$1.00 per share. In FY25, there was a step-up in CGI's dividend growth as quarterly payments rose by C\$0.02 per share. This meant an 8.0% increase in the annual dividend to C\$1.08 per share (two regular dividends followed by two capital gains dividends) versus the 4.2% increase in FY24 (all regular dividends).

For FY26, four quarterly dividends of C\$0.31 per share have been declared, which represents a 14.8% increase y-o-y. Following the pattern in FY25, there were two regular dividends followed by two capital gains dividends. If this trend continues, it will be supportive for the board's progressive dividend policy given CGI has a significant level of unrealised capital gains (C\$1.3bn). The company now has a 13-year record of consecutive higher dividends, earning its place as an AIC next-generation dividend hero (funds with 10 years but less than 20 years of consecutive higher annual dividends).

CGI's dividend policy complements rather than replaces CGI's capital-growth objective. Portfolio construction is still primarily aimed at total return, while the progressive distribution gives shareholders a growing cash return alongside potential capital appreciation.

Exhibit 12: Dividend and revenue history since FY20



Source: Bloomberg, Edison Investment Research

The wide discount is structural

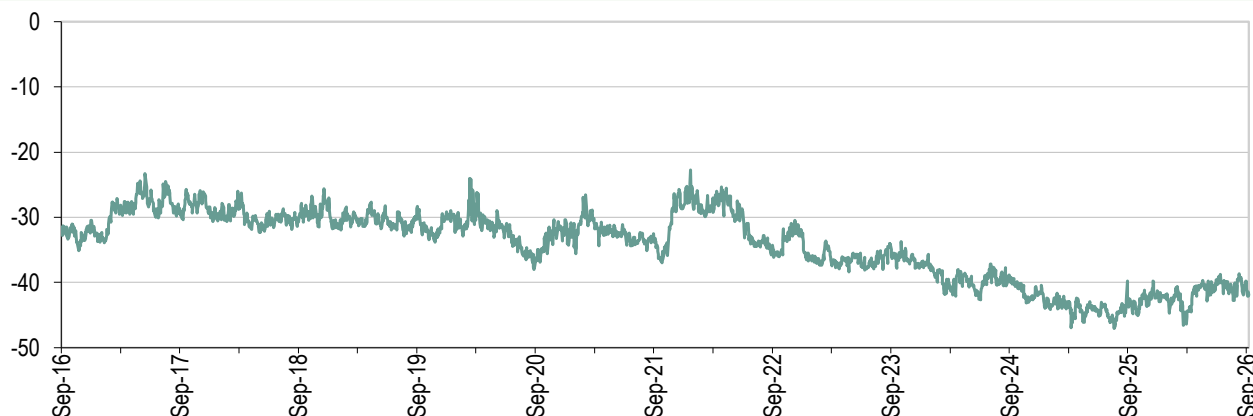
CGI has traded at a substantial discount to NAV for many years. While this gives investors access to the underlying portfolio at a sizeable gap to reported NAV, a wide discount should not automatically be regarded as a catalyst. There have been brief periods when CGI traded at a premium to NAV, but this has not occurred since 1998. The company's shares came close to NAV in 2006, during a period of strong relative performance and rising commodity markets. However, there has been no comparable narrowing during more than a decade of Edison coverage.

The current 40.5% discount compares with a 22.7% to 43.1% range and a 34.4% average discount over the last 10 years. There is a trend towards a wider discount in recent years, illustrated by the 38.0%, 41.2% and 41.8% average discounts over the last five, three and one year respectively.

CGI does not use share repurchases to manage the discount because doing so would jeopardise its favourable investment-corporation tax status. This removes one of the principal tools used by many UK-listed investment companies to support their ratings. Ownership concentration may compound the effect as CGI's free float is only c 47.5% (see liquidity section below).

A narrower discount would enhance shareholder returns, while further widening would detract from them. However, neither outcome can be forecast with confidence and there is no formal mechanism designed to drive the shares towards NAV. The investment case for CGI should therefore rest on its ability to compound NAV and distributions over time. Any sustained discount narrowing would be an additional benefit rather than a prerequisite of a successful investment thesis.

Exhibit 13: Share price discount to NAV, last 10 years (%)



Source: LSEG Data & Analytics, Edison Investment Research

Moderate leverage supports the strategy

CGI has employed leverage since 1998, making it a longstanding feature of the strategy. Borrowing stood at C\$225m at the end of September 2026 and represented 12.5% of net assets, compared with 11.9% at both the end of 2025 and the end of September 2025. The amount borrowed increased from C\$200m to C\$225m in April 2026 after growth in CGI's portfolio value had reduced leverage.

Since CGI redeemed its C\$75m Series 4 preference shares in June 2023, leverage has been provided through a prime brokerage agreement with a Canadian chartered bank. Borrowings carry a floating interest rate of the Canadian Overnight Repo Rate Average (CORRA) plus 0.42% per year. At the end of H126, C\$273.9m of securities had been pledged against C\$225m of outstanding borrowings. Under the agreement, the prime broker may pledge, lend or rehypothecate those securities; either party may terminate the arrangement with 30 days' notice, while the bank may terminate immediately following a continuing event of default.

Lower Canadian interest rates reduced financing costs in H126. Interest expense declined by 14.8% y-o-y despite the additional C\$25m of borrowing from April, as lower rates more than offset the higher debt balance. The floating-rate structure nevertheless means the cost of leverage would rise again if Canadian money-market rates increase.

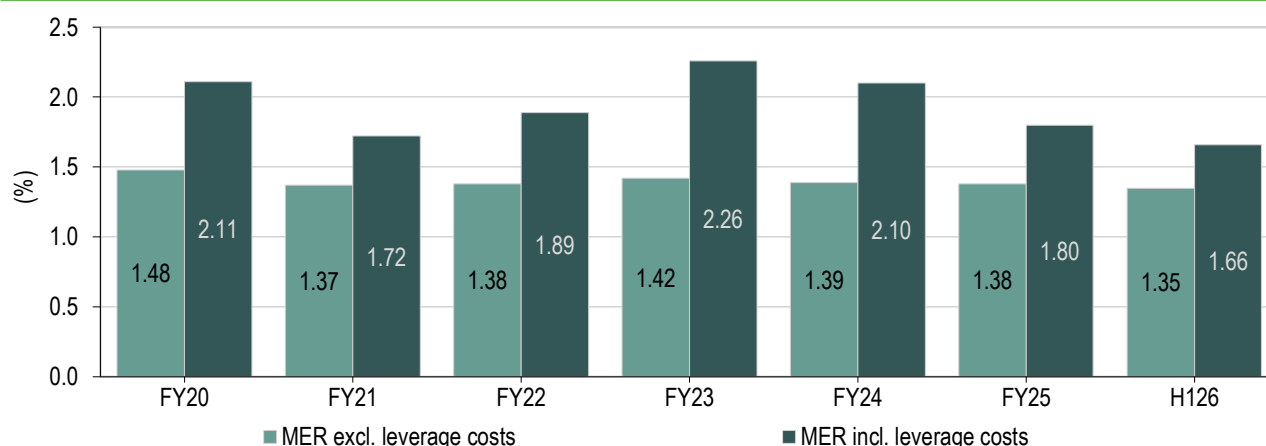
The more fundamental risk is that gearing magnifies changes in portfolio value in both directions. It can enhance shareholder returns when investment gains exceed financing costs, but it also increases losses in falling markets. The long-run return record has comfortably exceeded the cost of borrowing: from the introduction of leverage in 1998 to the end of March 2025, CGI's total return averaged 7.2pp per year above its cost of debt. This generally supports the use of leverage over the period, although it is not a direct measure of gearing's incremental contribution to NAV returns.

Costs have edged lower, but remain a consideration

MMA is paid a management fee of 1.0% per year, calculated and paid monthly on the market value of CGI's investments after adjustments for cash, portfolio accounts receivables and portfolio accounts payables. The fee also covers a range of administrative services, including brokerage arrangements, daily NAV calculation, financial and corporate records, regulatory filings and marketing support. CGI does not pay a performance fee.

The management expense ratio (MER) has edged lower over the last three reporting periods. Excluding leverage costs, which makes the MER more comparable with the ongoing charge figure used in the UK, the annualised MER was 1.35% in H126, compared with 1.38% in FY25 and 1.39% in FY24. Including leverage costs, the H126 annualised MER was 1.66%, down from 1.80% in FY25 and 2.10% in FY24.

Exhibit 14: Management expense ratio since FY20



Source: CGI, Edison Investment Research. Note: Leverage costs include preference dividends, interest and financing charges. H126 is annualised.

CGI is relatively expensive compared with its peers in the AIC North America sector. In Exhibit 6, CGI's annualised H126 charge of 1.35% ranked the highest compared with a five-fund simple average of 0.77%. While the comparison has limitations, because CGI is the only Canadian fund in the peer group, the divergence is meaningful, making costs one

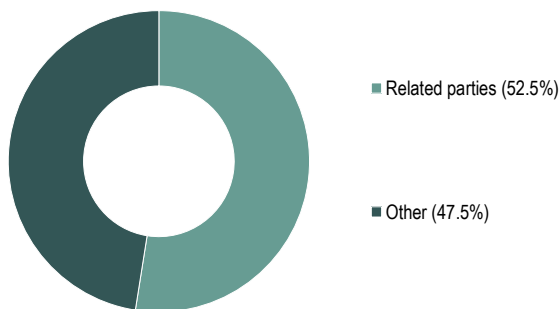
of the less attractive aspects of CGI's investment proposition; investors must consider whether the company's stock selection and portfolio construction continue to add sufficient value after costs.

Concentrated ownership constrains liquidity

CGI has 20.9m ordinary shares in issue, 52.5% of which are directly or indirectly owned by two of the company's directors, Jonathan Morgan and Vanessa Morgan. Hence, CGI has a free float of 9.9m shares (47.5% of the total) with holders split broadly 35:65 between Canada and international. The shares have been listed on the Toronto Stock Exchange (TSX) since 1962 and on the London Stock Exchange (LSE) since 1995. Over the last 12 months, the company had an average daily trading volume of c 5.5k shares on the TSX and c 2.9k shares on the LSE, which shows a greater than 25% decline since our last published [note](#) in May 2026. CGI's constrained liquidity likely contributes to the company's persistently wide discount.

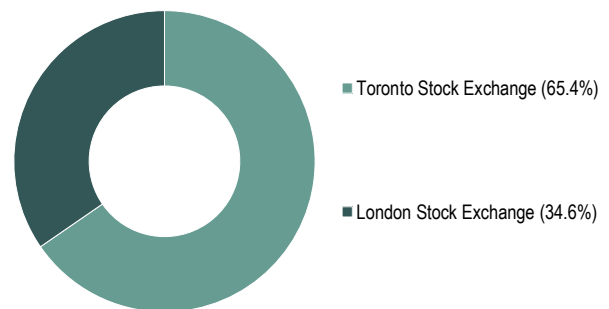
The modest free float and trading level are particularly relevant to larger investors. However, this is unrelated to the liquidity in CGI's underlying portfolio, which contains listed securities, most of which are highly liquid, larger-cap companies.

Exhibit 15: Major shareholders



Source: CGI. Note: At 30 September 2026.

Exhibit 16: Daily volume (last 12 months)



Source: Bloomberg

Stable governance around an unusual ownership structure

CGI has seven directors: four independent and three non-independent. The combination gives the board substantial corporate memory, while recent appointments have reduced reliance on the longest-serving directors. Clive Robinson is the former head of MMA's private wealth management business.

CGI has a committee structure, which is important given the company's ownership and close relationship with MMA. Brown, Lally, Nakra and Walke, all independent directors, comprise both the audit committee and the independent directors' committee. The corporate governance committee consists of Brown, Jonathan Morgan and Nakra. CGI also has an independent review committee comprising the four independent directors to consider conflict-of-interest matters arising from the manager's role.

Given that Jonathan and Vanessa Morgan together control 52.51% of CGI and own 100% of MMA, the relationship between the company and its manager is unusually entrenched. The independent directors and conflict-management arrangements therefore are particularly important.

Exhibit 17: CGI's board

Director	Principal role	Independent	Year of appointment	FY25 remuneration (C\$)	Shareholding at 27 Feb 2026
Vanessa Morgan	Chair of CGI; president & CEO, MMA	No	1997	0	67,389
Jonathan Morgan	President & CEO, CGI; executive VP & COO, MMA	No	2001	0	214,666
Michelle Lally	Partner, Osler, Hoskin & Harcourt	Yes	2015	75,083	4,900
Marcia Lewis Brown	Board director	Yes	2020	82,300	3,400
Sanjay Nakra	Board director	Yes	2023	66,033	1,800
Michael Walke	CEO, Canadian Centre for Audit Quality	Yes	2023	87,416	3,000
Clive Robinson	Board director	No	2024	0	6,750

Source: CGI. Note: Individual figures for Jonathan and Vanessa Morgan do not capture all jointly controlled or indirectly held interests; together they own, control or direct 52.51% of CGI's outstanding shares.

Eligible non-executive directors receive a C\$40,500 annual retainer plus committee and meeting fees. FY25 aggregate remuneration for directors who were not MMA executives was C\$277,283, with a further C\$33,549 paid for independent review committee service. All directors attended every board and committee meeting during FY25.

CGI has formal independent oversight and conflict-management mechanisms, but its concentrated ownership, common control with MMA and restrictive manager-termination provisions mean governance is an important structural consideration for minority shareholders.

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