ARVORE PARTNERS

ARVORE INVESTOR LETTER Q2 2025

Reflections on Canada's Fiscal Path

CANADA'S FISCAL POSITION:

Canada currently spends ~1.4% of its GDP on national defense. Meeting the NATO target of 5% of GDP would require a significant fiscal expansion. In this quarter's letter we attempt to summarize the projected increase in expenditure and the potential tax and inflation implications required to fund it.

Key Economic Metrics: Canada by the numbers.

Metric	Value (2024-2025 – approx.)
Nominal GDP (CAD)	C$3.0 trillion
Current Defense Spending	C$41 billion (1.4% of GDP)
Target Defense Spending (5% GDP)	C$154 billion
Incremental Increase Needed	C$110 billion/year
Federal Revenue	C$450 billion
Federal Budget	C$500 billion
Federal Tax Revenue	C$400 billion
Federal Debt	C$1.3 trillion (~70% of GDP)
Federal Deficit (2025–26 est.)	C$60 billion (~2% of GDP)

Required Tax Revenue Increase: If each major tax category were used individually to fund the entire additional $110B in defense spending, the required increases would be as follows:

Tax Type	Revenue	% Increase
Personal	C$208B	50%+
Corporate	C$94B	110%+
GST	C$46B	230%+

These scenarios assume no behavioral responses and static bases. In practice, such increases would have large economic and political consequences, including diminishing the tax base itself. Even an attempt at spreading the increase across all tax categories (as shown below) proportionally would be onerous.

	Increase Needed	% Increase
Personal	+C$50B	+24%
Corporate	+C$30B	+32%
GST (Sales Tax)	+C$20B	+43%
Other revenue	+C$12B	Varies

Assuming no new tax revenues or program cuts are implemented:

Scenario	Annual Deficit Estimate	% of GDP
Current Deficit (2023/24)	C$42B	1.3%
With 5% Defense Spending	C$155B	~5.0%

Meanwhile, entitlement spending on health care, pensions, and elderly support is projected to rise sharply over the next two decades due to an aging population. As a result, deep offsetting spending cuts are unlikely to materialize; and tax room is constrained by existing burdens and competitiveness concerns. Therefore, we expect deficits to grow rapidly over the next decade and place Canada in a Hobson's choice that free spending politicians are unlikely to acknowledge upfront or like long-term:

Option	Pros	Cons
Raise Taxes	Preserves debt levels	Politically difficult
Cut Spending	Fiscal discipline	Unlikely given demographics
Run Deficits	Politically expedient	Credit downgrade, inflation risk

In practice, deficits of this scale will eventually force central bank monetary accommodation – direct or indirect – which will clearly accelerate inflation. Under aggressive fiscal dominance – where deficits are persistently monetized and central bank independence weakens – some theoretical models suggest inflation effects up to 0.7% annually per 1% of GDP deficit. That would mean an inflation increase of as much as 3.5% annually if the entire increase is unfunded – this would be on top of the 2%+ inflation numbers currently.

Sustained deficits of the size Canada currently and will soon run – particularly those nearing or exceeding 5% of GDP – will also undermine investor confidence in Canada's fiscal credibility. Ratings agencies evaluate sovereign credit based on debt levels, fiscal discipline, and the likelihood of structural reforms. A significant deterioration in Canada's fiscal outlook could trigger a sovereign credit rating downgrade. Potential Implications:

- Credit Rating Downgrade: A downgrade by agencies such as S&P, Moody's, or Fitch would signal increased fiscal risk and reduce Canada's standing as a top-tier borrower. Canada currently enjoys a strong AA+/AAA rating, but persistent deficits and growing debt levels will place that at risk.

- Higher Borrowing Costs: A downgrade would likely increase government bond yields. Even a modest 50 basis point increase in interest rates across C$1.2 trillion of gross federal debt would add C$6 billion annually in debt servicing costs.

- Spillover Effects: Provinces, municipalities, and large Canadian corporations would also face higher borrowing costs, as sovereign ratings serve as benchmarks. This could reduce public investment and raise mortgage and consumer credit rates.

- Fiscal Feedback Loop: Rising interest payments would consume a larger share of federal revenue, potentially crowding out social spending and further limiting policy flexibility.

When Canada shifts 3.5% more of GDP into defense spending without large offsetting cuts or tax hikes, the result will be structurally higher deficits, pressure on the Bank of Canada to accommodate, and ultimately a prolonged inflationary regime. Research suggests this could be as much as ~4% higher than current levels – eg 6%+.

OPERATIONAL SUMMARY:

Through the first half of 2025, Arvore's operating companies continued to deliver strong results despite persistent geopolitical and macro headwinds. We continue to work closely with operating company management teams to optimize working capital and improve cash conversion cycles, ensuring strong liquidity and reliable monthly distributions. We are highly encouraged by the performance across all our verticals and currently expect to finish 2025 with revenue and EBITDA ahead of 2024.

- Master Franchisors: Our franchise vertical continues to deliver both organic and strategic growth. Through Q2 2025, 5 new franchise locations have opened, and we expect approximately 13 openings by the end of year based on a strong pipeline of high-quality leads that are progressing through various stages of development. Same-store sales growth remains strong on a year-over-year basis. This metric is a critical indicator of organic health and demonstrates that our brands are resonating well with consumers. In addition to organic growth, Arvore is advancing multiple initiatives aimed at accelerating expansion across this vertical. These efforts are expected to yield initial results in the second half of the year, positioning the fund for an even stronger close to 2025.

- Light Industrial: Our light industrial vertical continues to build momentum, driven by a series of key project wins. Our strong reputation and deep customer relationships have led to favourable project-scoping changes which are expected to contribute to EBITDA through the remainder of the year. Operationally, our manufacturing businesses are realizing notable gains in efficiency because of ongoing continuous improvement initiatives and disciplined cost control. These efforts, combined with a successful supplier diversification strategy, have helped to mitigate the impact of U.S. tariff and market cycle related cost pressures.

- Environmental Services: Building on early wins, we are actively expanding service offerings into complementary sectors, an initiative already showing promising traction in diversifying revenue streams and enhancing long-term growth. A recent project award from a leading Canadian energy company, along with our expansion into the mining sector, both launched in early Q2, are expected to contribute over $6M in incremental EBITDA over the next three years. Successes like this continue to validate our capacity to execute large-scale projects and enhance our positioning in future RFP processes.

- Auto Maintenance: Our auto maintenance vertical continues to perform well, benefiting from sustained growth in the Canadian aftermarket sector, which is being driven by a slowdown in new vehicle sales and an aging car park that is increasing demand for repairs and maintenance. Year-over-year same-store sales, invoice count, and average invoice value have all grown meaningfully, contributing to EBITDA coming in ahead of budget through the first half of the year. These results reflect healthy organic momentum across the portfolio. With lead generation outpacing expectations and multiple new locations progressing through the final stages of our development pipeline, we remain confident in our ability to deliver strong performance over the balance of the year.

- Building Products Distribution: Leveraging the momentum established in 2024, our building products distribution vertical has continued to deliver dependable results, with year-to-date sales outpacing same period prior year and reaching historical best monthly revenue milestones. EBITDA remains on track with budget, supported by stable demand, expansion of supply offerings and disciplined cost management. Contributing to this growth is sustained renovation and infrastructure investment activity in the Canadian market, particularly in non-residential and multi-family segments, which has supported steady volume and pricing tailwinds. Looking ahead, Arvore continues to actively evaluate acquisition opportunities involving complementary, value-added businesses to accelerate growth and further strengthen our presence in this vertical.

CONCLUSION:

We believe Canada's proposed defense expansion will have implications for portfolio construction, capital preservation, and long-term investor strategy. We believe it makes our stagflation thesis even more likely and that investors sitting on dated allocations risk underperformance. Fortunately, stagflation is a risk for which we have been preparing. Arvore has chosen verticals which we believe will outperform in low growth, above-trend inflation economic climates. However, even without stagflation, our portfolio is experiencing strong top and bottom-line growth which is flowing through to the operating income per unit and improving monthly distributions.

See the attached Q2 Fund Fact Sheet for more information.

FUND FACT SHEET | Q2 2025
SERIES W, F1

ARVORE PARTNERS

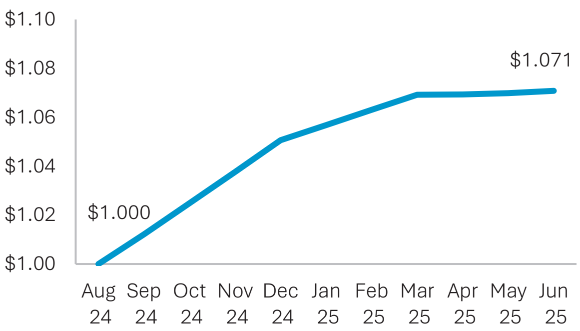
FUND DETAILS:

Fund Manager:	Arvore Managing LP
Strategy:	Serial LMM Consolidation
Structure:	Evergreen
AUM:	$350M[1]
Base Mgt. Fee:	1.00%[2]

INVESTMENT OBJECTIVE:

Arvore targets attractive, consistent, inflation-hedged returns through an evergreen structure supported by a non-discretionary cash sweep distributed monthly to unitholders and equity appreciation potential. Arvore invests in lower to mid-market ("LMM") businesses via a serial roll-up strategy, building integrated verticals in targeted industry silos to capture the benefits of both scale, concentration, and diversification. The management team acquired first assets in 2013. Arvore leverages deep domain expertise, proprietary data and business intelligence platform to drive integrations, operational improvements, and organic growth.

INDICATIVE TOTAL UNITHOLDER RETURN[3]:



SERIES RETURNS:

Date	Normal Dist.[4] (%)	Special Dist. (%)	TTM Cash/Unit ($/Unit)	First Dollar DPI[5] (x)
Sep 2024	8.5	-	0.007	0.007
Oct 2024	9.1	-	0.015	0.015
Nov 2024	9.3	-	0.022	0.022
Dec 2024	9.5	-	0.030	0.030
Jan 2025	10.1	-	0.038	0.038
Feb 2025	10.2	-	0.047	0.047
Mar 2025	10.3	-	0.055	0.055
Apr 2025	10.4	-	0.064	0.064
May 2025	11.0	-	0.073	0.073
Jun 2025	11.5	-	0.082	0.082
Jul 2025	-	-	-	-
Aug 2025	-	-	-	-
Sep 2025	-	-	-	-
Oct 2025	-	-	-	-
Nov 2025	-	-	-	-
Dec 2025	-	-	-	-

CONSOLIDATED REVENUE BY VERTICAL:

Vertical	TTM Q2 25 ($M)	TTM Q2 24 ($M)	Chg. (%)
Building Products	49	42	17
Enviro. Services	54	44	23
Master Franchisors	47	46	2
Auto Maintenance	9	7	29
Light Industrial	91	95	(4)

KEY PERFORMANCE INDICATORS:

Financial KPIs	TTM Q2 2025	TTM Q2 2024	Change (%)
Management Expense Ratio[6] (%)	2.12	-	-
Sales ($M)	250	234	7
Gross EBITDA ($M)	33	35	(6)

Portfolio KPIs	Since Inception	TTM Q2 2025	TTM Q2 2024	Change (#)
Number of Companies (#)	12	10	11	(1)
Portfolio Locations (#)	212	212	203	9

An offering memorandum of Arvore Trust ("Arvore Partners") containing important information relating to the Series F1 Units of Arvore Partners ("Offering Memorandum") has or will be filed with the securities regulatory authorities in the jurisdiction where a distribution has occurred or will occur pursuant to the Offering Memorandum. A copy of the Offering Memorandum is required to be delivered to you at the same time or before you sign the agreement to purchase any securities described in this document pursuant to the Offering Memorandum. This document does not provide disclosure of all information required for an investor to make an informed investment decision. Investors should read the Offering Memorandum, especially the risk factors relating to Arvore Partners, before making an investment decision. 1. AUM means assets under management and is for illustration purposes only and was determined by the Manager based on a multiple of forecast earnings at the end of 2025. 2. Base management fee of 1.00% - the special limited partner of Arvore, an affiliate of the manager, is entitled to participation in normal and special distributions above a stipulated minimum, refer to the Offering Memorandum for additional details. 3. Indicative Total Unitholder Return includes i) distributions declared or paid during the period, plus ii) any change to EBITDA per unit (vs. prior TTM period). Distributions are realized, the variance in EBITDA per unit is non-realized and is indicative to reflect for the underlying growth in the operating companies. 4. Annualized monthly normal distribution percentage calculated as gross monthly distribution annualized (multiplied by 12) and divided by outstanding units. 5. Distributed Paid-In Capital on first unit issuance September 1, 2024. 6. Management Expense Ratio ("MER") calculated as annualized YTD Arvore Fund adjusted G&A divided by total outstanding capital at Q2 2025.

OMNIGENCE ASSET MANAGEMENT

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ARVORE PARTNERS

FUND FACT SHEET | Q2 2025
SERIES W, F1

SENIOR TEAM:

Stephen Johnston (Partner): Stephen has over 30 years experience as a fund manager. He was the head of the Société Générale Asset Management Emerging Markets – UK private equity team. Stephen has founded a series of alternative funds including a farmland strategy, a LMM PE strategy, an energy strategy and a private credit strategy. Stephen has a BSc. (1987) and a LLB from the University of Alberta (1990) and an MBA (1994) from the London Business School.

Barclay Laughland (Partner): Barclay has over 25 years of experience in the areas of corporate finance, investment fund management, mergers and acquisitions, debt/equity financings and business management. More than half that time has been spent in direct involvement with private equity, Barclay has been a co-founder in alternative funds focused on energy and healthcare. Barclay received both a BCom. (1991) and JD (1994), University of Saskatchewan.

Matt Barr (Partner): Matt has over 20 years of experience in the areas of Six Sigma, lean methodologies and continuous improvement. He has demonstrated these skills through various organizations and industries, including automotive, heavy machinery, industrials, and oil and gas. Matt has a Master of Business from Kettering University, a Bachelor of Operations from the University of Western Sydney, and leadership and Six Sigma certificates from Cornell University.

Kerri Furlong (Partner): Kerri brings over 18 years of experience in public accounting and private equity, having collaborated with a diverse range of businesses and business owners across multiple industries. Before transitioning to private equity in 2015, she spent eight years at BDO Canada, where she specialized in auditing complex engagements for both public and private entities. Kerri is a CPA and has BBA (honours) in accounting and as a BSc. in Chemistry from Memorial University of Newfoundland.

Chad Dundas (Partner): Chad brings over 18 years of experience, including 15 years as an investment banking professional at Macquarie Group, where he held increasingly senior roles. He originated and executed over C$6.0 billion in M&A transactions and led or co-led over C$2.0 billion in ECM/DCM transactions. Chad has a CFA and a BCom from the Haskayne School of Business.

Issuer:	Arvore Partners	
Security:	**Series W**	**Series F1**
Offering Status:	Closed	Open
Fund Maturity:	Evergreen structure	Evergreen structure
RRSP Eligible:	Yes	Yes
Target Return[1]:	20%+ (combined normal + special distributions)	20%+ (combined normal + special distributions)
Hold Period:	2 years	4 years
Base Management Fee:	1.00%	1.00%
Normal Distribution Hurdle:	7%	6%
Special Distribution Hurdle[2]:	10%	8%
Par Value:	$1.00	$1.00
Minimum Investment:	Manager Discretion	$10,000
Pre-maturity Redemptions[3]:	None	Trust - $30k per quarter aggregate cap / LP - none
Post-maturity Redemptions[4]:	25% per quarter per investor subject to fund 10% per quarter aggregate cap, at lower of $1 or FMV	

Distributable cash = cash after maintenance CAPEX, reserve, interest/principal repayments, base management fee, fund G&A ex base fee, reasonable sinking fund provisions. Distributions are not guaranteed. The ability to pay, and timing of, distributions are based on various assumptions and subject to certain risk factors. See “Legal Notice”. 1. Target returns are not guaranteed. See “Legal Notice”. 2. Hurdle is reduced by gross normal distributions. 3. Redemptions at the Trust, prior to the maturity date, are capped at $30k per quarter across all redeeming investors, prorated based on position size. 4. Investor quarterly 25% redemption is “use it or lose it” non-cumulative.

FUNDSERV:

(Non-Registered accounts only)	
Series W	N/A
Series F1	QWE853

LEGAL NOTICE

An investment in Arvore Partners is highly speculative and involves a number of risks, including due to the nature of Arvore Partners' business, the risks inherent in Arvore Partners' investment strategies and the fact that Arvore Partners has limited operating history. Only investors who are willing to rely solely upon the ability, expertise, judgment, discretion, integrity and good faith of Arvore Managing LP (the "**Manager**"), the manager of Arvore Partners and Arvore Partners LP (the "**Partnership**", and together with Arvore Partners, the "**Fund**" or "**Arvore**"), who do not require immediate liquidity of their investment and who can afford a total loss of their investment, should consider an investment in Arvore Partners. Prospective investors should read the Offering Memorandum in its entirety and consult with their own professional advisors to ascertain and assess the income tax, legal, risks and other aspects of their investment in Arvore Partners. No reliance should be placed on the completeness of the information contained in this document. This document is not intended to be a comprehensive review of all matters concerning the Fund.

No securities regulatory authority has assessed the merits of, or expressed an opinion about the securities described in this document (the "Securities"), the information contained in this document, or the Offering Memorandum. The Securities referred to herein will only be offered and sold in such jurisdictions where they may be lawfully offered for sale and, in such jurisdictions, only by persons permitted to sell such Securities. The Securities referred to herein may only be sold to prospective investors who reside in certain provinces and territories of Canada and who meet certain eligibility criteria on a basis which is exempt from the prospectus requirements of applicable Canadian securities laws. The Securities have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or the securities laws of any state of the United States and may not be offered or sold within the United States or to or for the account or benefit of U.S. persons (as such term is defined in Regulation S under the U.S. Securities Act) except in compliance with the registration requirements of the U.S. Securities Act and applicable state securities laws or pursuant to an exemption therefrom.

No Certainty of Performance: The data contained in the table titled 'Series Returns' is historical only and is not indicative of future results. There is no guarantee of performance and past or projected performance is not indicative of future results.

Target Returns: Target returns are not guaranteed. The figures were determined by the Manager and reflect the Manager's belief with respect to anticipated annual distributions and exit gains based on various assumptions and subject to certain risk factors.

Forward-Looking Information: This document includes certain forward-looking information with respect to the Fund. This information represents predictions and actual events or results may differ materially. Forward-looking information contained in this document includes, but is not limited to, statements with respect to: targeted distributions; AUM; total return targets; and the availability and timing of redemptions. Forward-looking information is based on a number of assumptions which have been used to develop such information but which may prove to be incorrect. Assumptions have been made by the Manager are set forth in the Offering Memorandum.

This document contains future-oriented financial information and financial outlook information (collectively, "**FOFI**") about the Fund's prospective results of operations and components thereof, all of which are subject to the same assumptions, risk factors, limitations, and qualifications as set forth in the above paragraphs and in the Offering Memorandum. The FOFI contained herein is made as of **June 30, 2025** and is provided for the purpose of providing further information about the Fund's anticipated future business operations. Readers are cautioned that the FOFI contained in this document should not be used for purposes other than for which it is disclosed herein and reliance on such information may not be appropriate for other purposes.

Forward-looking information and FOFI is based on the current expectations, estimates and projections of the Manager and involves a number of known and unknown risks and uncertainties which may cause actual results or events to differ materially from those presently anticipated, including those risks described in the Offering Memorandum, many of which are beyond the control of the Manager. Readers are cautioned that the risk factors listed in the Offering Memorandum are not exhaustive.

Purchaser's Rights: Securities legislation in certain of the provinces and territories of Canada provides purchasers with a statutory right of action for damages or rescission in cases where an offering memorandum or any amendment thereto contains an untrue statement of a material fact or omits to state a material fact that is required to be stated or is necessary to make any statement contained therein not misleading in light of the circumstances in which it was made (a "**misrepresentation**"). These rights, or notice with respect thereto, must be exercised or delivered, as the case may be, by purchasers within the time limits prescribed and are subject to the defenses and limitations contained under the applicable securities legislation. The following summary is subject to the express provisions of applicable securities legislation and the regulations, rules and policy statements thereunder. Purchasers should refer to the securities legislation applicable in their province or territory along with the regulations, rules and policy statements thereunder for the complete text of these provisions or should consult with their legal advisor.

The statutory rights of action described below are in addition to and without derogation from any other right or remedy that purchasers may have at law. If you are subject to the laws of Ontario, Saskatchewan, Nova Scotia or New Brunswick, those laws provide, in part, that if there is a misrepresentation in an offering memorandum, which was a misrepresentation at the time that you subscribed for the securities, then you will be deemed to have relied upon the misrepresentation and will, as provided below, have a right of action against the issuer of the securities (and, in certain instances, other persons) in respect of the securities purchased by you for damages, or alternatively, while still the owner of any of the securities purchased, for rescission, in which case, if you elect to exercise the right of rescission, you will have no right of action for damages against the issuer of the securities provided that: (1) no person or company will be liable if it proves that you purchased the securities with knowledge of the misrepresentation; (2) in the case of an action for damages, the defendant will not be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the securities as a result of the misrepresentation; and (3) in no case will the amount recoverable in any action exceed the price at which the securities were purchased by you. In Ontario, Saskatchewan or New Brunswick, in the case of an action for rescission, no action may be commenced more than 180 days after the date of the transaction that gave rise to the cause of action. In the case of any action other than an action for rescission, (A) in Ontario, no action may be commenced later than the earlier of (i) 180 days after you first had knowledge of the facts giving rise to the cause of action, or (ii) three years after the date of the transaction that gave rise to the cause of action, and (B) in Saskatchewan or New Brunswick, no action may be commenced later than the earlier of (i) one year after you first had knowledge of the facts giving rise to the cause of action or (ii) six years after the date of the transaction that gave rise to the cause of action. In Nova Scotia, no action (for rescission or otherwise) may be commenced later than 120 days after the date on which payment was made for the securities. If you are subject to the laws of any other province or territory, reference should be made to the full text of the applicable provisions of the securities legislation in such provinces or territories or consultation should be undertaken with professional advisors.

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