



Finding Alpha

Strategic Outlook 2023

Alpha (finance). *noun*.

Alpha represents the performance of a portfolio relative to a benchmark. It is often considered to represent the value a portfolio manager adds to, or subtracts from, a fund's return.

Introduction by

David Sung
President

Danielle Skipp
Managing Director, Ontario
& Chief Legal Officer

```
function b(b){return this.each(function(b,d){this.options=a.extend({},n,this)).on("click.bs.affix.data-api",this.checkPosition());c.VERSION="3.3.7",e=this.$target.scrollTop(),f=this.$elemenrn c.ll!=c?!(e+this.unpin<=f.top)&&"bottom">a-d&&"bottom"}
```

CHATGPT

THE REVOLUTIONARY CHAT BOT



Who defines intelligence?



NLP (Natural language Processing)

VS. NGLP

New Digital Divide

Those who know how to use AI vs. those who don't

ACCESSIBILITY

AI is going to force a paradigm shift

Teachers have to become "prompt engineers"



Is using a template cheating?



Deep Learning



Humans are essential to AI



Teach students to leverage their humanity



Information literacy is essential



"GPT" is trained meta data set
"Chat" part is the interface



Will impact white collar jobs more than blue collar jobs

Every time we use AI, we are training it

CHAT GPT AND AI

in Education

What IS cheating?

What future are we preparing students for?
What will the workforce look like?

Dall-E = ChatGPT for images



Inspiration

Debate the bot/
Evaluate the bot



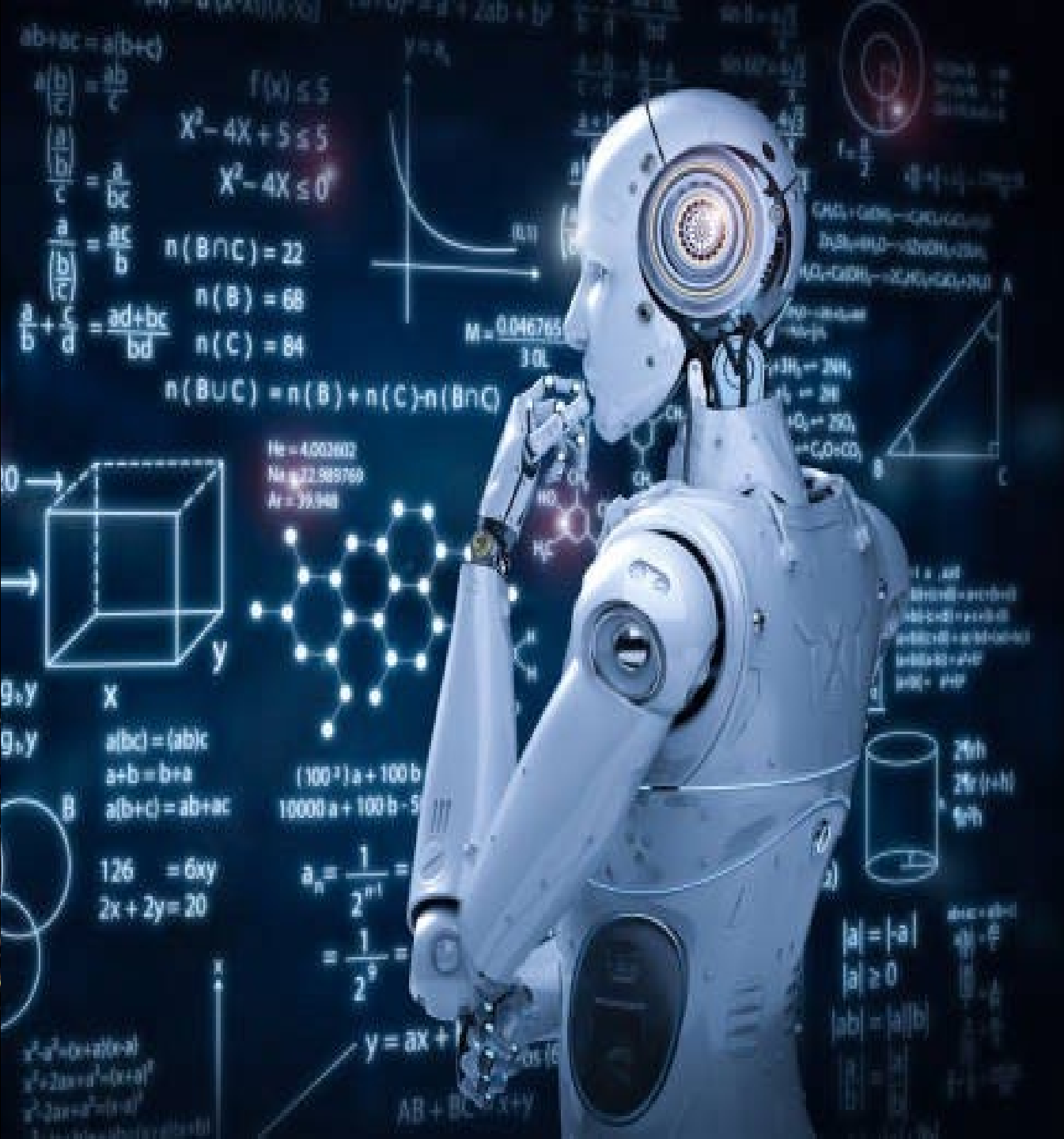
Have students explain their thinking verbally

Could give teachers time to do deeper work



DATA, PATTERNS, AND PREDICTIONS

GPT 3 (GOOGLE) → CHAT GPT → NEXT THING





Our Speakers

Strategic Outlook 2023



David Sung, CFP, CLU, CHS, CIM
President



Danielle Skipp, LL.B
Managing Director, Ontario
Chief Legal Officer



John Nicola, CFP, CLU, CHFC
Chairman &
Chief Executive Officer



Mark Hannah
Managing Director
Nicola Wealth Real Estate



Bijal Patel, MBA, LLB
Chief Financial Officer &
Head of Private Capital



Ben Jang, CAIA, CIM, DMS
Portfolio Manager
Public Assets

Our Growth





Individuals &
Families

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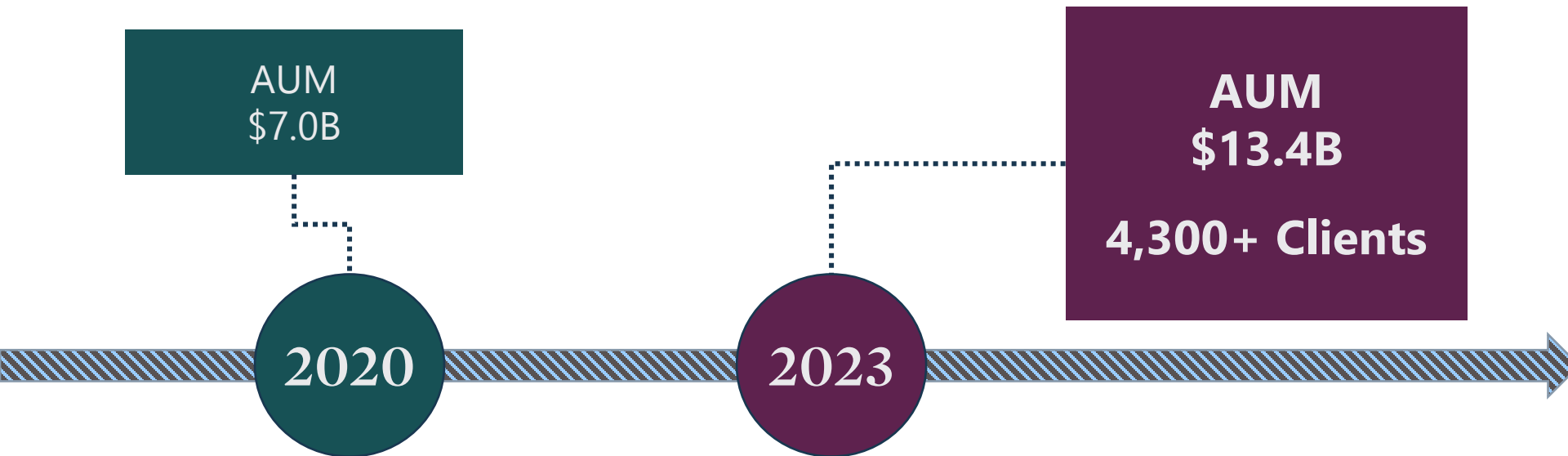


Institutions

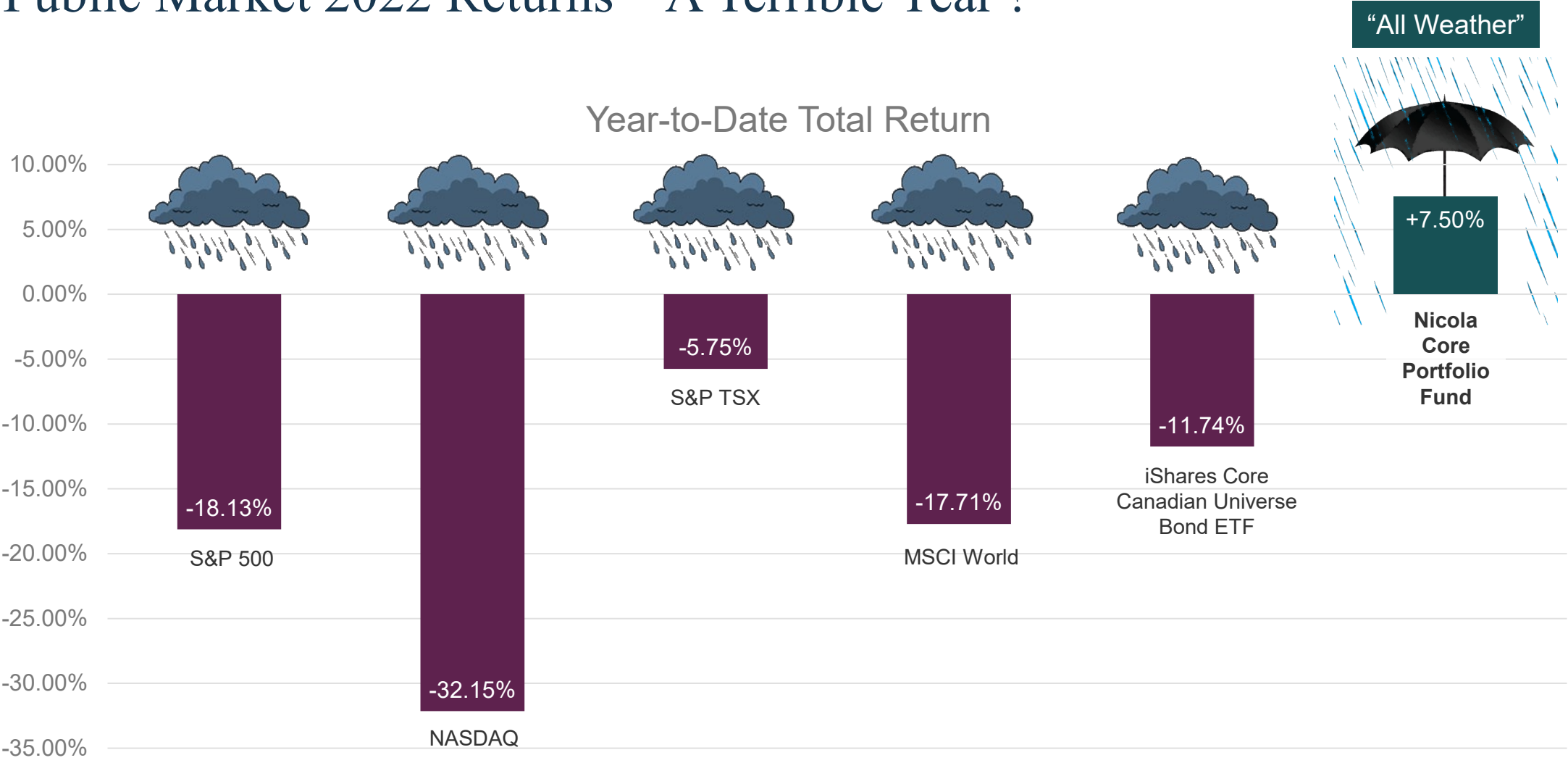
[Learn More](#)



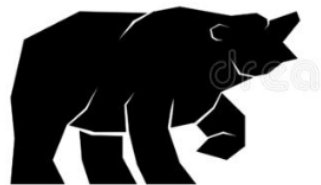
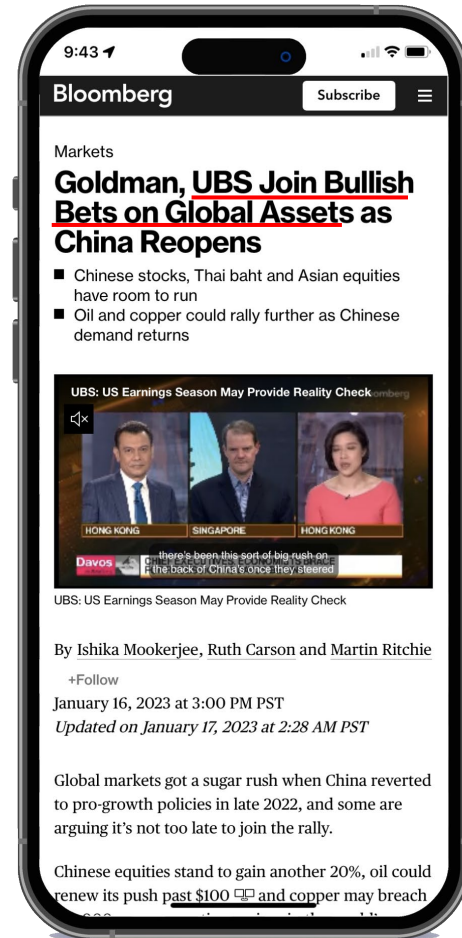
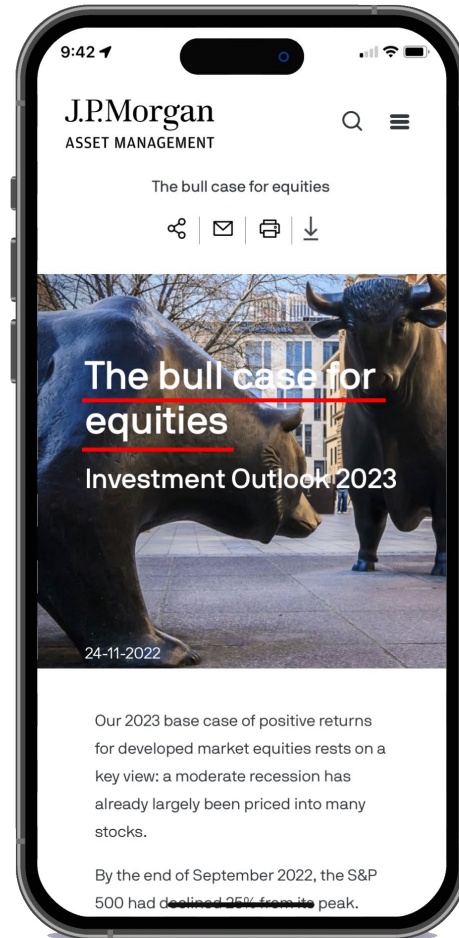
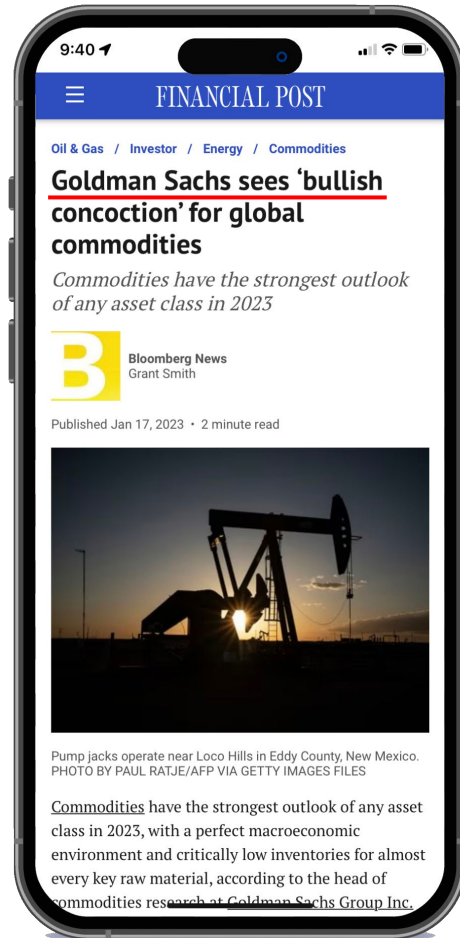
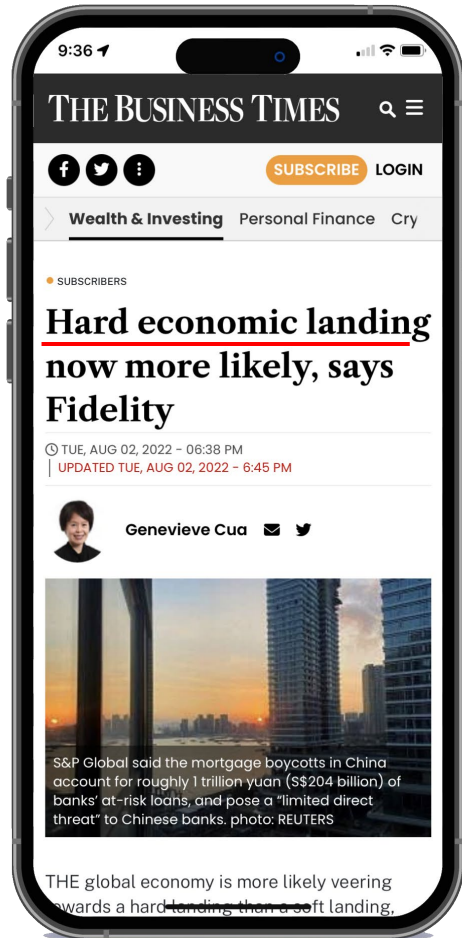
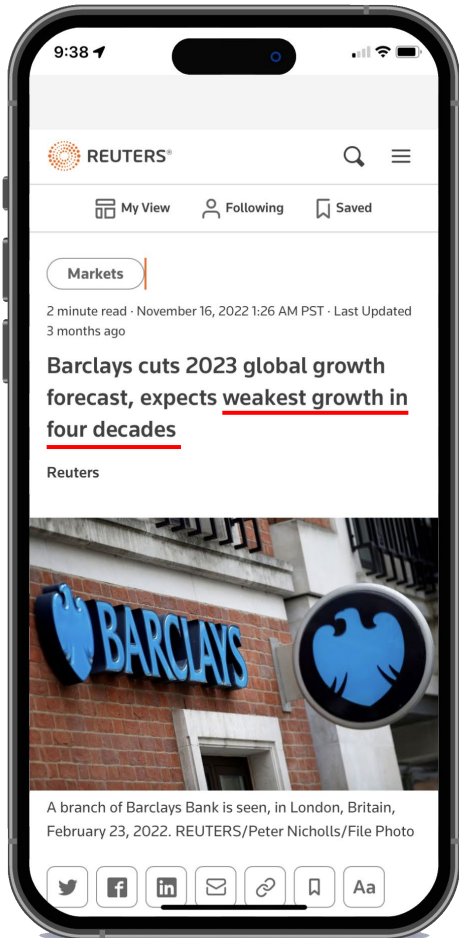
N NICOLA
BLACKWOOD
— REALTY ADVISORS —



Public Market 2022 Returns – A Terrible Year !



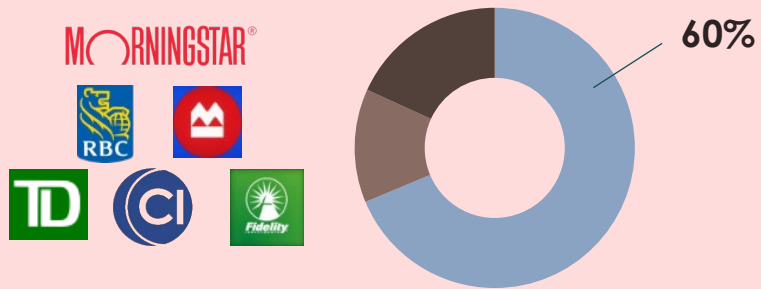
As of Dec 31, 2022



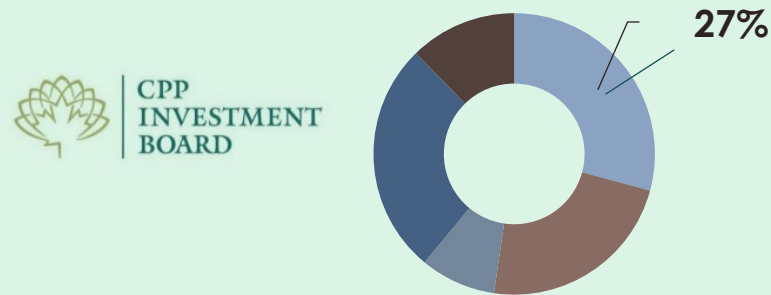
Going Beyond the 60/40 Approach

Institutional Investing

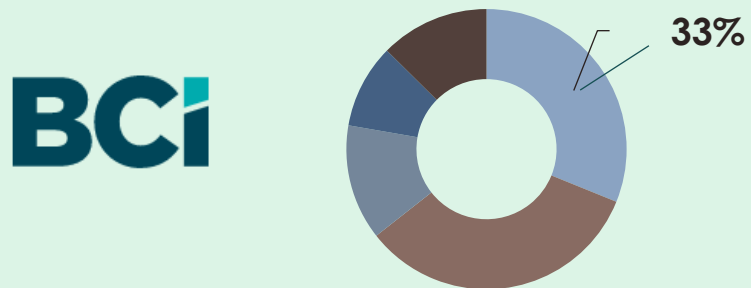
Retail Fear & FOMO 60/40 Approach



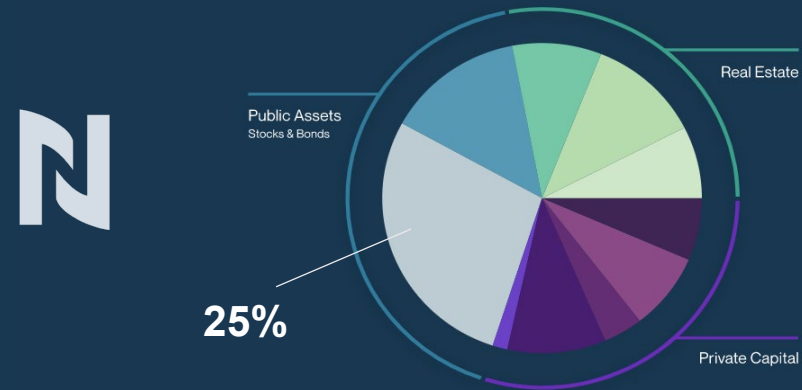
Institutional Pension Approach



Institutional Pension Approach



Nicola Wealth Core Asset Allocation



- Public Equities
- Fixed Income
- Real Estate
- Private Equity
- Alternatives

Everything Starts With Planning

& planning is an ongoing process ... our lives are dynamic !

Is your plan being regularly reviewed and adjusted to ensure you're on track?

Do you have a succession plan in place?

Have you reviewed loans and mortgages to reduce interest costs and determine whether any may be tax deductible?

Have you prepared your family to manage this wealth?



Is your investment portfolio protected from volatility?

Do you know how much capital you will require to meet your retirement goals?

Have you considered how you will create your legacy?

Is your insurance positioned as an asset class and integrated with your investment strategy?



We set a standard of pursuing going beyond in everything we do.

We work with our clients to achieve their aspirations beyond wealth.

Our purpose is to share our expertise and best skills, to help you achieve the goals and legacies that matter.





Finding Alpha

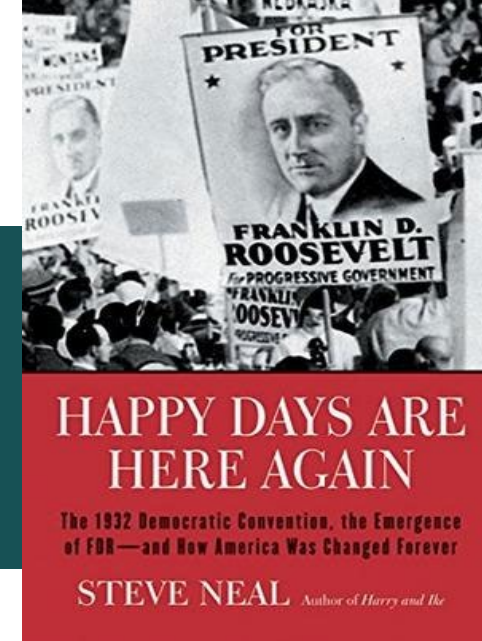
John Nicola

Chairman & CEO

N NICOLA
WEALTH

What About 2023?

- S&P 500 and TSX +4% YTD
- Covid Lockdowns end in China
- Sanctions making a difference in Ukraine war
- Short term rates at or near peak
- Inflation has peaked



Market Summary > S&P 500

4,016.03

+191.89 (5.02%) ↑ year to date

Feb 21, 11:18 a.m. EST • Disclaimer

+ Follow

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



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Peak Inflation: Are We There Yet?



By Bob Sullivan
Contributor



Reviewed By Farran Powell
Editor

Updated: Dec 13, 2022, 9:41

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THINK Eco

Home Markets Macro Sectors Forecasts Meet the team

Article | 23 January 2023

Bank of Canada hits the peak

The BoC is set to raise rates one last time on Wednesday with a 25bp hike, taking the overnight rate to 4.5%. Economic activity is slowing and inflation is coming down and what is likely to be characterised as a pause for assessment is set to mark the peak for rates. Rate cuts will be on the agenda later in 2023. The initial CAD reaction may be rather contained

In this article

- BoC set to hike one last time
- Rate cuts will be on the agenda in late 2023
- CAD: BoC not a key driver now



The Bank of Canada in Ottawa

4.50% Interest rate level expected on Wednesday



Canada Unemployment Rate

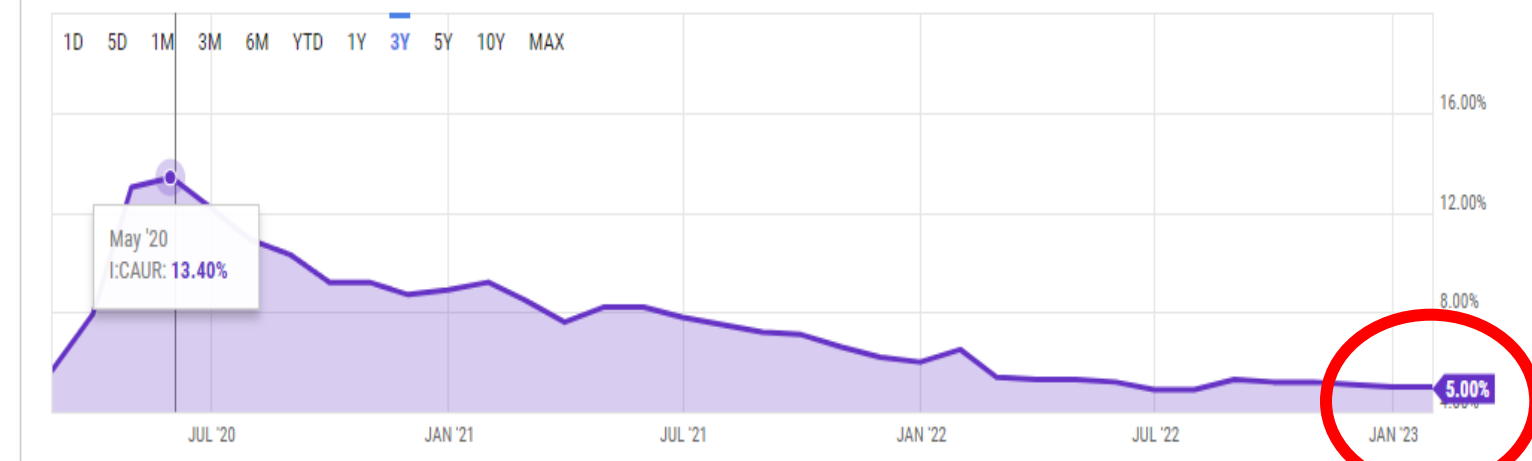
5.00% for Jan 2023

Overview

Interactive Chart

Level Chart

VIEW FULL CHART



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Bloomberg

Live Now Markets **Economics** Industries Technology Politics Wealth Pursuits Opinion Businessweek Equality Green City

Economics
Jobs

US Payrolls Surprise as Jobless Rate Hits 53-Year Low

- Employers added 517,000 jobs in January, above all estimates
- Report raises doubts about a looming recession: economist



World Business Legal Markets Breakingviews Technology Investig



Macro Matters



1 minute read · February 10, 2023 3:34 AM HST · Last Updated 2 days ago



Canada gains 150,000 jobs in January, jobless rate holds at 5.0%

Reuters





- Recent rally a “dead cat bounce” – earnings recession coming
- US/Allies tech war with China
- Ukraine war lasts all of 2023?
- Interest rates remain high for all of 2023
- Inflation remains elevated
- Inverted yield curve – recession ahead

Market Summary > S&P 500

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Feb 21, 11:18 a.m. EST • Disclaimer

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



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Peak Inflation: Are We There Yet?



By Bob Sullivan
Contributor



Reviewed By Farran Powell
Editor

Updated: Dec 13, 2022, 9:45am

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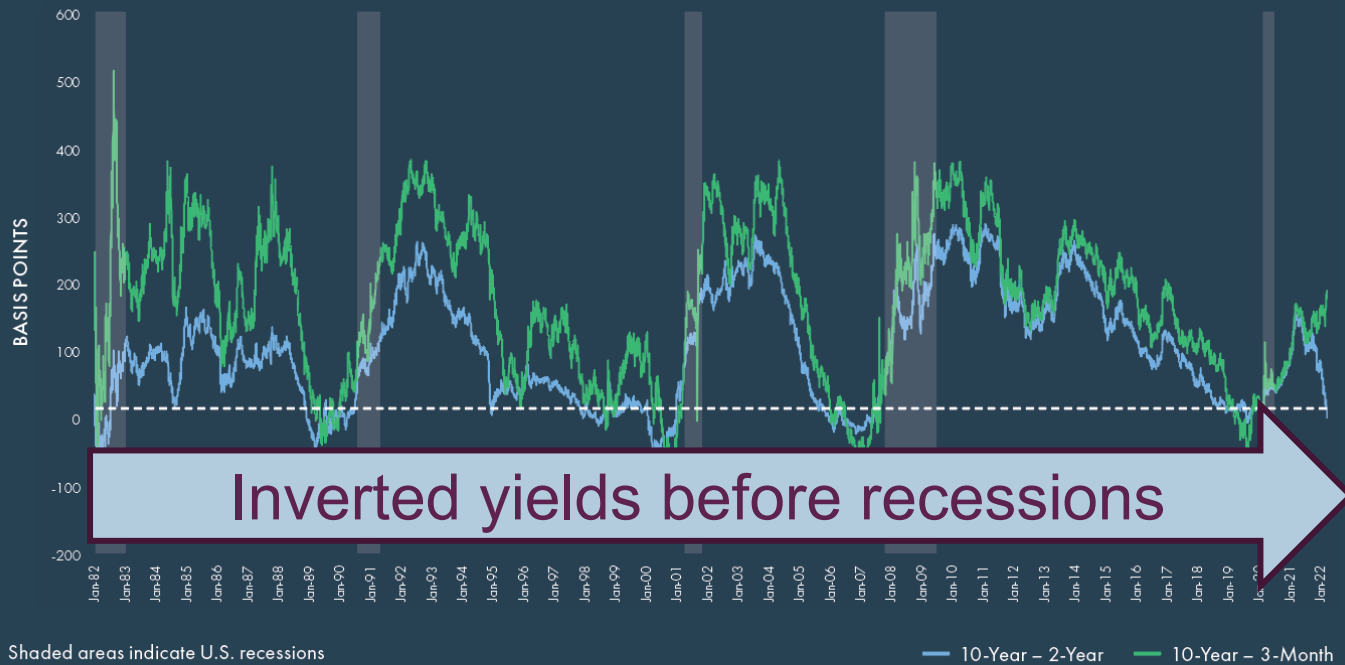
- BoC set to hike one last time
- Rate cuts will be on the agenda in late 2023
- CAD: BoC not a key driver now



The Bank of Canada in Ottawa

4.50% Interest rate level expected on Wednesday

HISTORIC YIELD SPREADS VS RECESSIONS



Source: Federal Reserve Bank of St. Louis, 10-Year Treasury Constant Maturity Minus 3-Month Treasury Constant Maturity [T10Y3M], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/T10Y3M>, March 30, 2022. 10-Year Treasury Constant Maturity Minus 2-Year Treasury Constant Maturity [T10Y2Y], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/T10Y2Y>, March 30, 2022.

Morgan Stanley
INVESTMENT MANAGEMENT

2023 Investment Outlook

INSTITUTIONAL INVESTORS



Andrew Slimmon
Head of Applied
Equity Advisors

We See A Resilient Economy Without a Looming Collapse

KEY POINTS

- 1 In our view, the first quarter of 2023 has the ingredients to build on strengths of the fourth quarter of 2022.
- 2 An inverted yield curve hints at a potential economic slowdown at some point in the year ahead.
- 3 We're scaling back on megacap stocks after a mega run-up.

U.S. 2Yr/10Yr Spread

10Y2YS:Exchange

RT Quote | USD

Last | 1676578060542 EST

-0.78 ▲ +0.04 (-4.76%)

1D 5D 1M 3M 6M YTD 1Y 5Y ALL

+ Comparison

1D Display Studies Settings Chart



Aging



Interest Rates



Reshoring

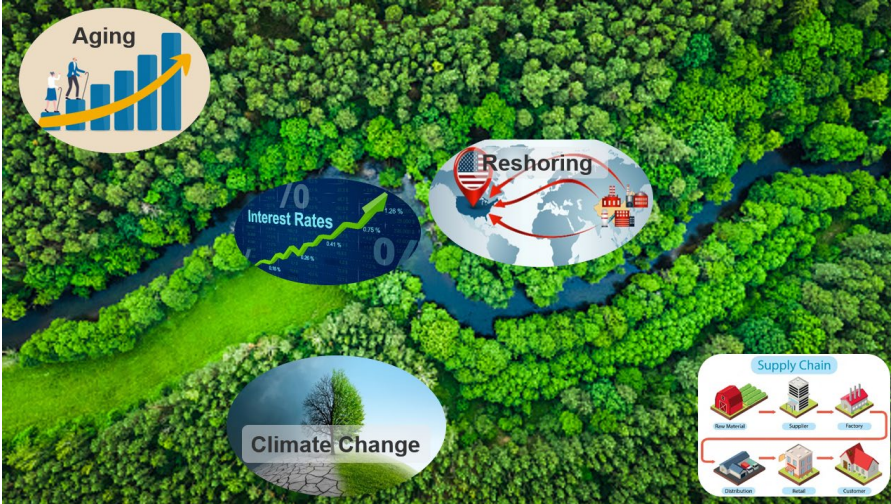


Climate Change



Supply Chain





- Geo-political issues impact supply chain
- Ukraine War impact of food and energy
- China conflict with US, Covid strategy, real estate bubble, and demographics
- Reliability of shipping and manufacturing

- Almost 50% of countries = to 50% of global population and more than 70% of GDP have negative birth rates
- Inflationary or deflationary?
- Impact on capital markets?



- Bring supply closer to demand
- Reduced shipping costs, safety of technology, and rule of law
- Wage differentials. Mexico, Central and South America possible winners (Canada to a lesser degree)
- Western hemisphere population is over 1 billion

- 40-year bull market in bonds ended 2021
- Highest interest rates since 2007
- Inflation dependent
- Where to from here?



- Driven by climate and technology
- Challenges with consistency of solar and wind and battery storage
- Nuclear is in play (fusion in five years?)
- Canada might be a "winner" (longer growing season)
- Fossil fuels will decline but persist



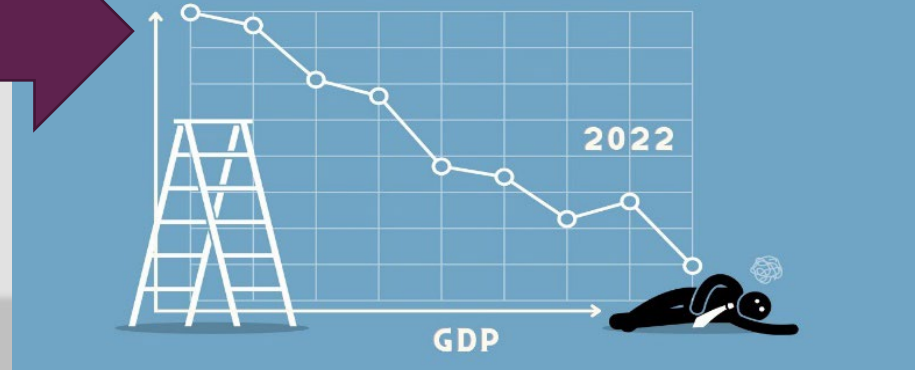
Geo-politics

Impact on Asset Allocation?



Inflation

A RECESSION IS COMING

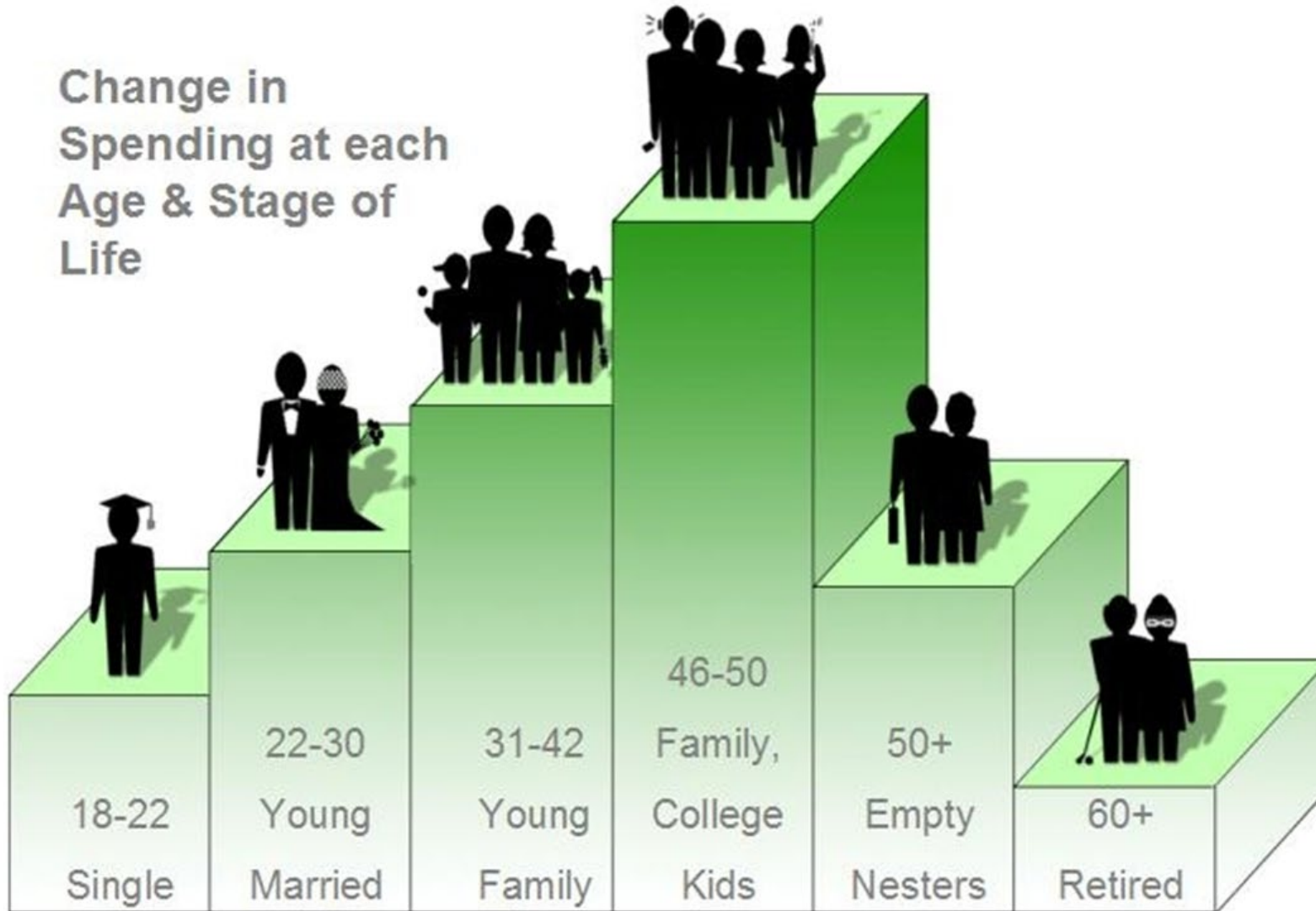


Recession

**Portfolio
Rebalancing**



Change in Spending at each Age & Stage of Life



Ageing and population decline are often, if not usually, deflationary (think Germany and Japan)

China's population is shrinking. The impact will be felt around the world

By Jessie Yeung, CNN
Updated 2:45 AM EST, Thu January 19, 2023



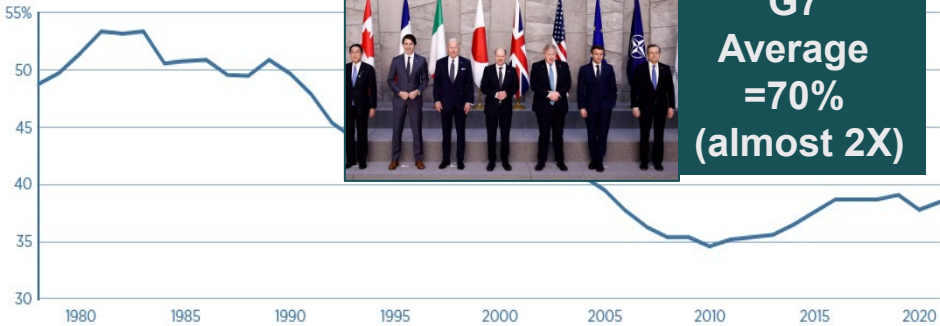
REALTIME ECONOMICS

Can China revive growth through private consumption?

Figure 1

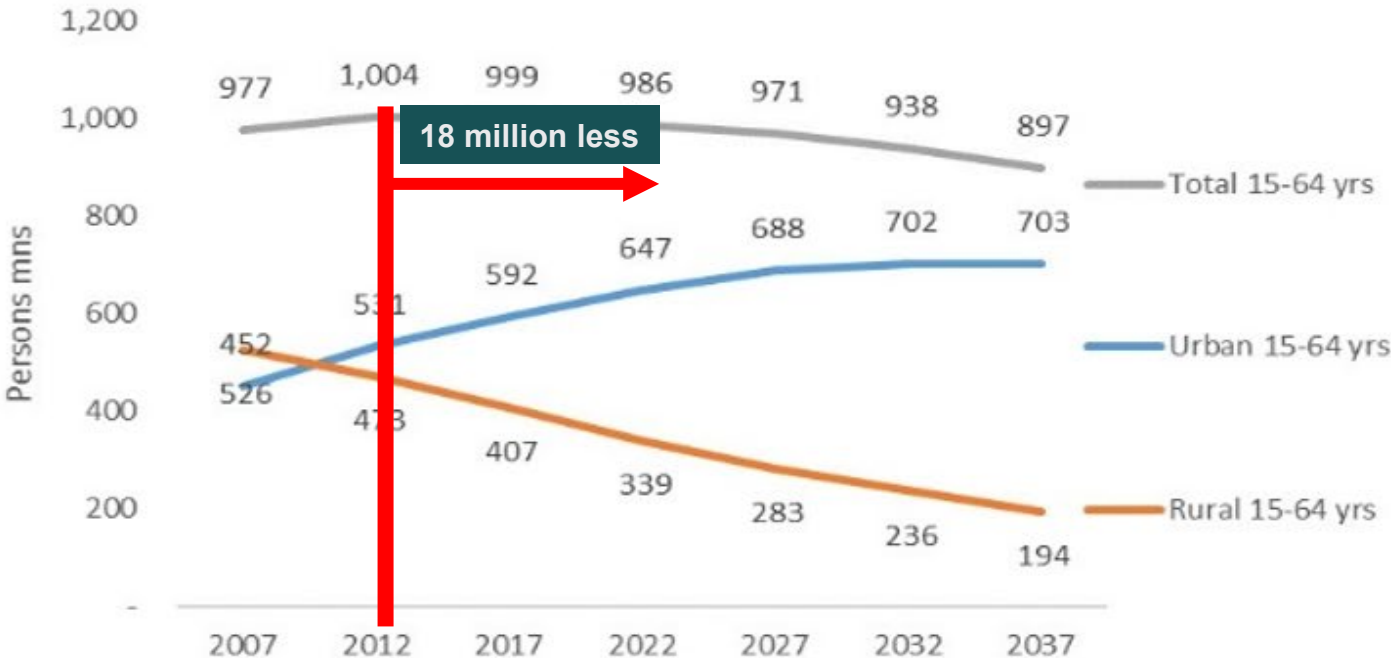
Household consumption accounts for less than 40 percent of China's GDP

Private consumption as a share of China's GDP,



PIIE Source: National Bureau of Statistics of China.

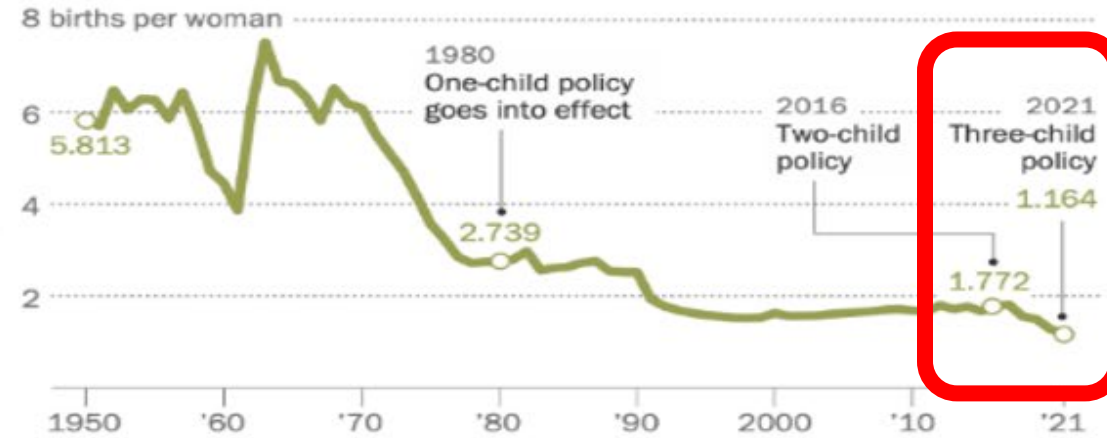
China's Working age (15-64 yrs) Population



18 million less

China's fertility rate has decreased precipitously in recent years, despite its loosening of the one-child policy

Total fertility rate in China



Note: The total fertility rate is the expected number of children a woman who lives to the end of her childbearing years and has children will have during her lifetime based on the given age-specific rates.

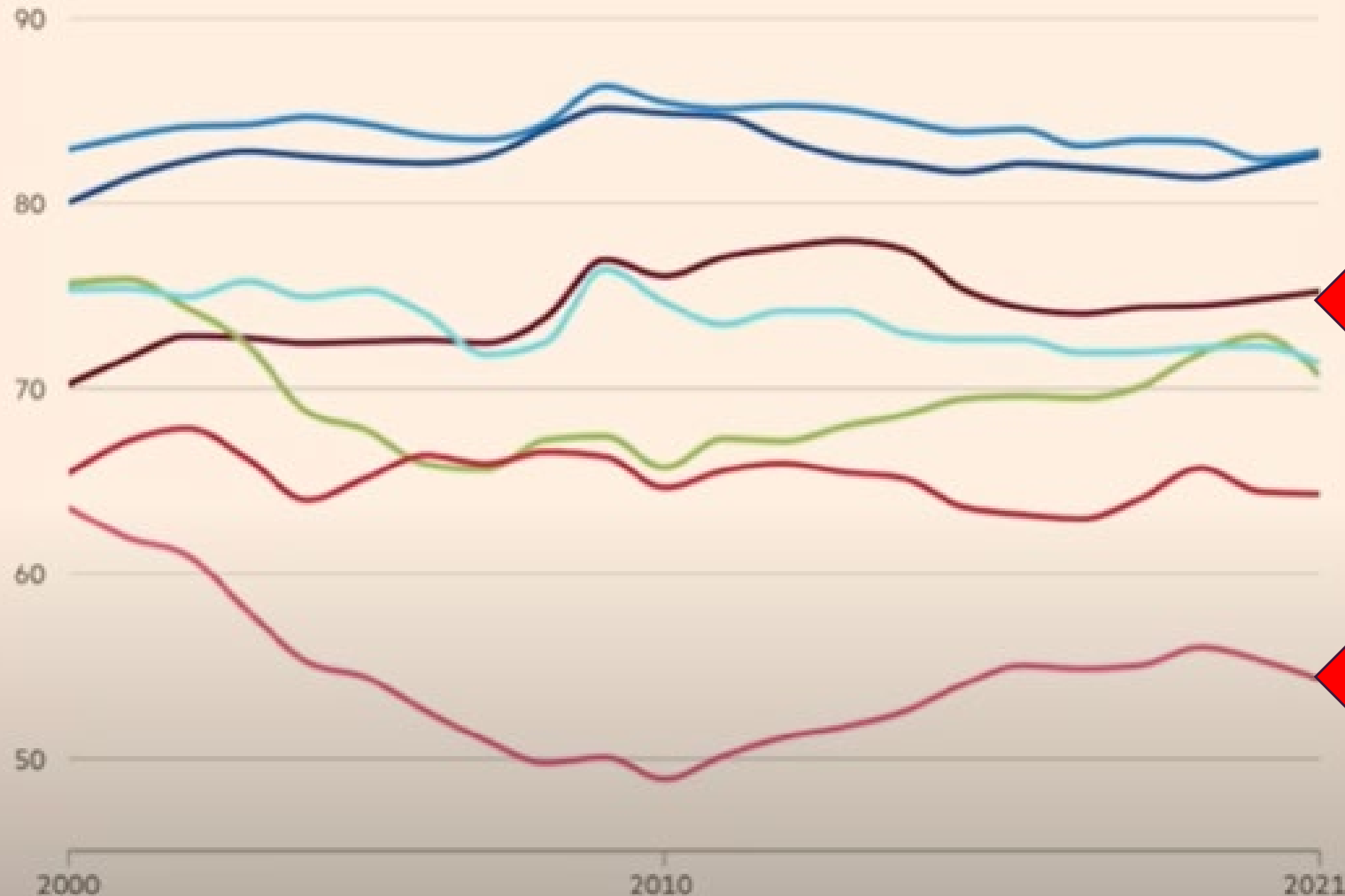
Source: UN Population Division's World Population Prospects: The 2022 Revision.

PEW RESEARCH CENTER

China's economy is less driven by consumption than its global peers

Final consumption expenditure as share of GDP (%)

China Japan South Korea US UK Germany India

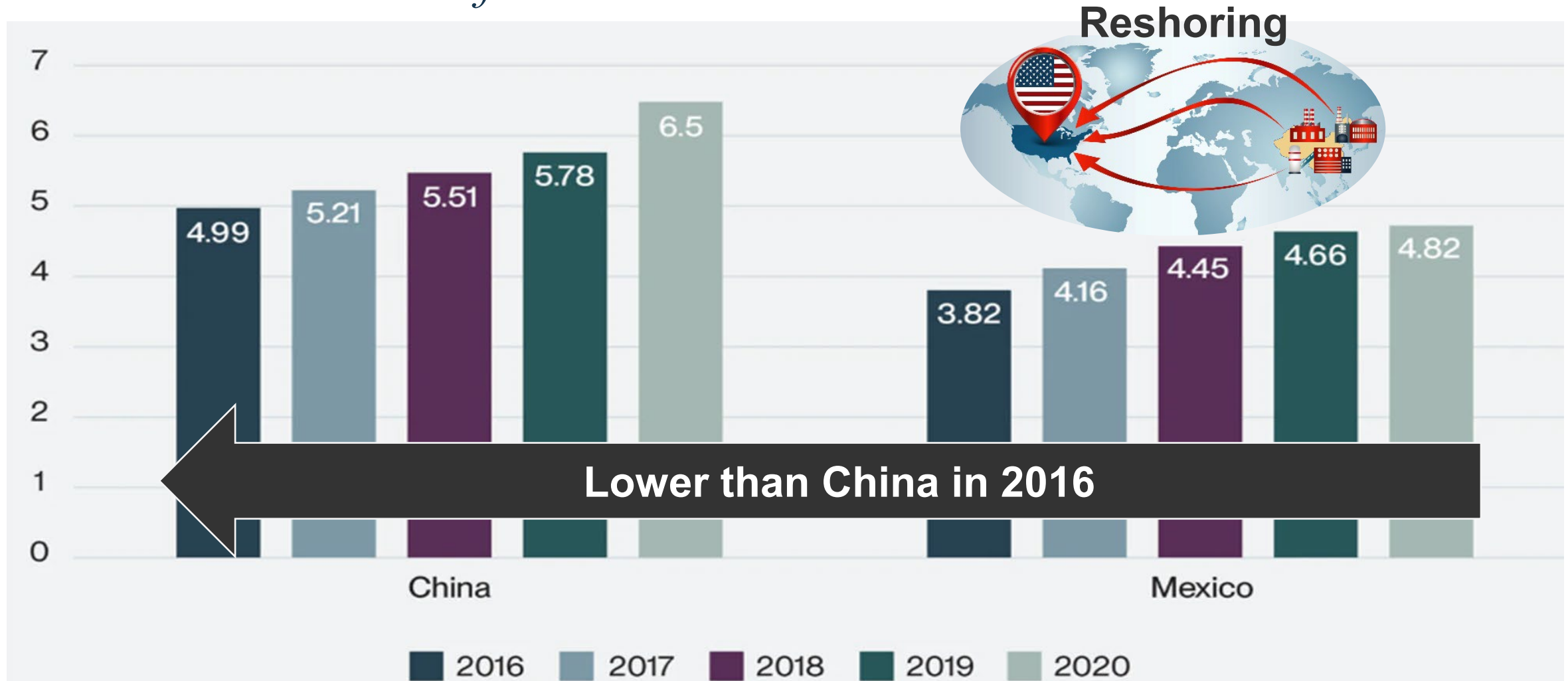


China needs to move here if growth is to continue but this lessens the power of the CCP

This is driven by the CCP reducing the amount of Income going to citizens at the expense of exports and infrastructure

Manufacturing Labour Costs Per Hour

China and Mexico from 2016 to 2020



E.M. ex. CHINA FUNDS CONTINUE TO LAUNCH

Emerging Markets Ex. China ETF Universe				
<u>Ticker</u>	<u>Name</u>	<u>AUM (\$MM)</u>	<u># of Holdings</u>	<u>Inception Date</u>
XCEM	Columbia E.M. Ex. China ETF	\$92	270	9/2/2015
EMXC	iShares E.M. Ex. China ETF	\$1,381	781	7/20/2017
KEMX	KraneShares E.M. Ex. China ETF	-\$6	313	4/12/2019
FRDM	Freedom Emerging Markets ETF	\$217	103	5/23/2019
XC	Wisdomtree E.M. EX-China ETF	\$12	550	9/22/2022
MEMX	Matthews Emerging Markets EX China Active Etf	\$2	53	1/11/2023
STXE	Strive Emerging Markets EX-China ETF	\$101	160	1/30/2023



One of the reasons why...

Global Equity Performance (Last 30-Years)			
	<u>MSCI China</u>	<u>MSCI EAFE</u>	<u>S&P 500</u>
Annualized Return	1.2%	6.2%	9.7%
# of Intra-Year 20% Corrections	21	10	6
# of Intra-Year 30% Corrections	14	4	3
# of Intra-Year 40% Corrections	6	1	1
Average Intra-Year Correction	-30.4%	-17.7%	-14.9%



- Rates continue to rise but perhaps more slowly
- Negative impact on almost all asset classes (Tech in particular)
- How far before bear market in bonds ends?
- Impact on housing in Canada significant

FINANCIAL POST

Real Estate

Vancouver real estate sales down 45% in October

Composite benchmark price reached \$1,148,900 last month, up 2.1% from last October but down 0.6% from September

Shantaé Campbell
Nov 02, 2022 • 21 hours ago • 1 minute read • [Join the conversation](#)

Real Estate

Toronto home sales fall 49% as benchmark price slides

Composite benchmark price fell 1.3% to \$1,098,200 in October from \$1,110,700 in September

Shantaé Campbell
Nov 03, 2022 • 3 hours ago • 1 minute read • [Join the conversation](#)

Price drops from peak 15%+ mid-2023?

Ottawa reveals plan to welcome 500,000 immigrants per year by 2025

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Plan to boost immigration comes as country faces labour shortage

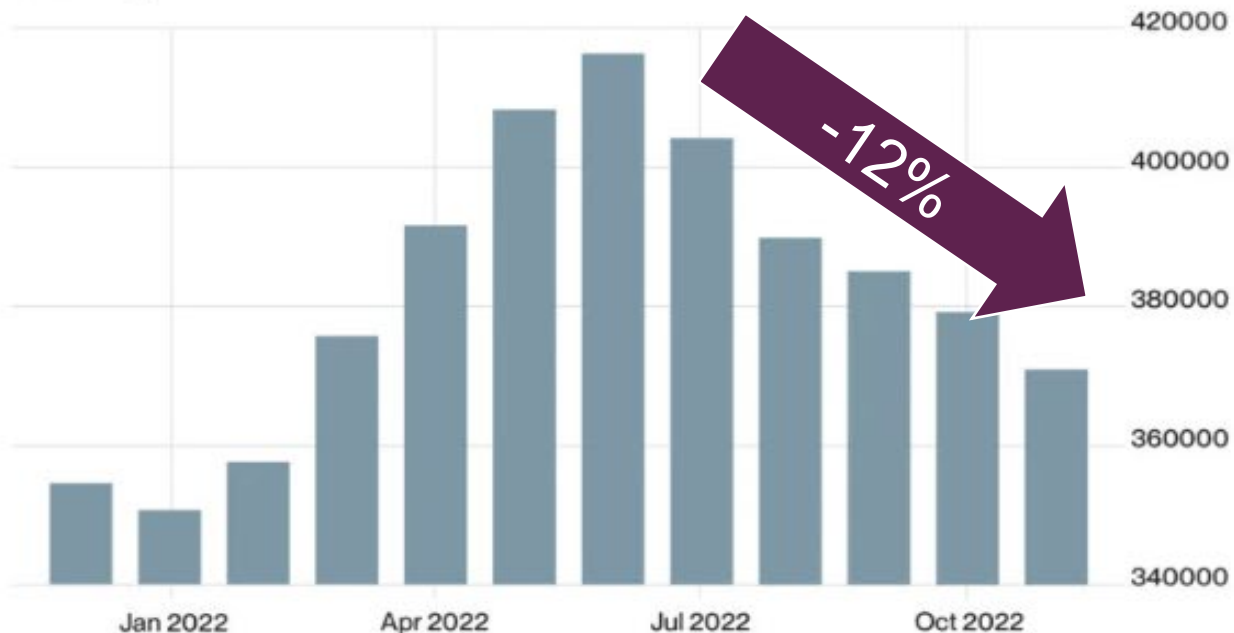
The Canadian Press · Posted: Nov 01, 2022 12:36 PM ET | Last Updated: November 1

Gamechanger?
500,000 new homes by 2025/2026

Trading Economics

United States Single Family Home Prices

Summary

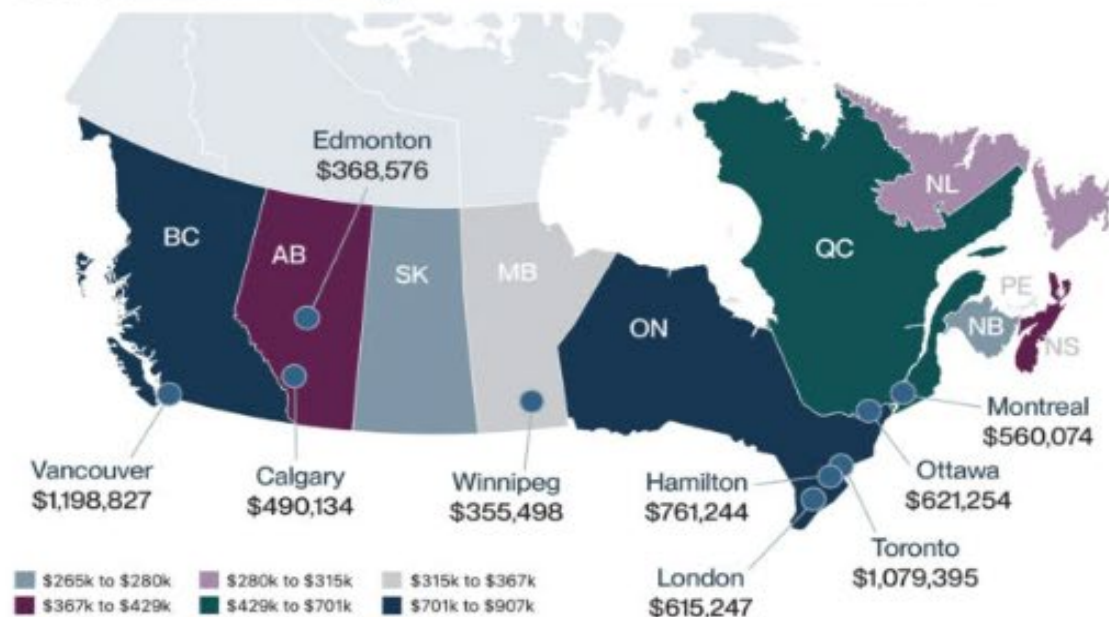


Monthly Transactions
30,135
↓ -11% 1-Month Change
↓ -39% 12-Month Change

Average Sold Price
\$632,802
↓ -2% 1-Month Change
↓ -12% 12-Month Change

MLS® Benchmark Price
\$726,000
↓ -1% 1-Month Change
↓ -4% 12-Month Change

Canadian Housing Market Data for November 2022

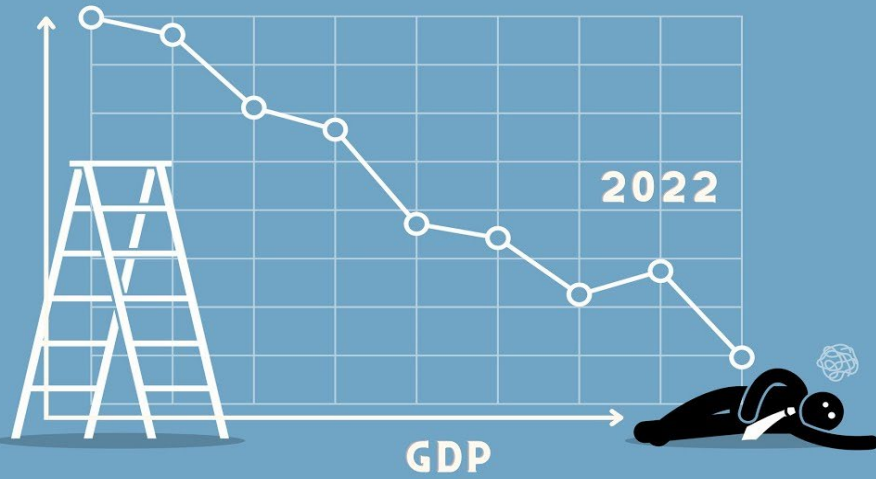


Note: Data sourced from the Canadian Real Estate Association (CREA)



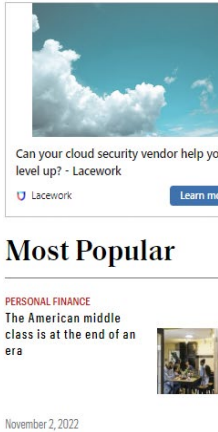
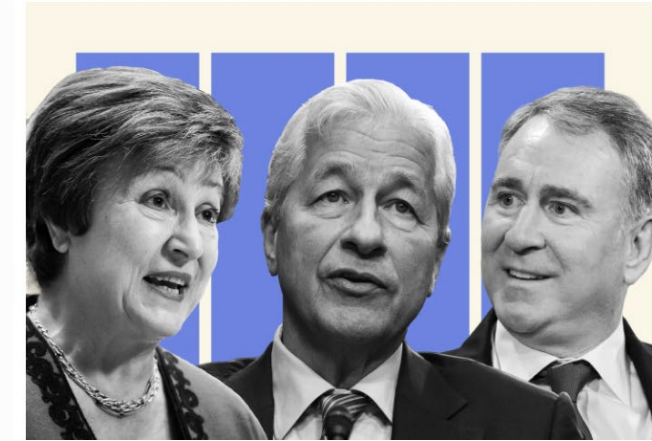
Source: Trading Economics; Canadian Real Estate Association

A RECESSION IS COMING



7 of the world's top economic minds think a global recession is coming. Some say it's already here

BY RACHEL VENTRESCA
October 6, 2022 at 11:53 AM PDT



Recession Coming

- Relatively effective way to deal with inflation
- If successful, rate hikes stop
- Opportunity to acquire longer duration bonds and equities?

Geo-Politics



- Trade War in Tech
- World's largest housing bubble
- Debt issuance and defaults
- Much lower future economic growth
- Rule of Law
- Demographics
- Un-investable?

- Impact on commodity inflation
- Russia a pariah state?
- Nuclear threat
- Russia demographically imploding
- Oil / Gas revenues down \$150M USD per day
- 2022 deficit = \$47B (Jan 2023 = \$25B)
- GDP 10% lower than Canada



BP is one of the top renewable energy performers in the oil & gas sector

Renewable energy jobs, deals, patents and company filing mentions (January 2021 – December 2021)

Company	Deals	Filings	Score
BP			5
Equinor			5
Repsol			5
PKN Orlen			5
Shell			4
TotalEnergies			4
Eni			4
Suncor			4
ExxonMobil			3
ONGC			3

Company	Deals	Filings	Score
Reliance Industries	2	71	2
Chevron			2
Petrobras			2
Lukoil			2
MOL			2
CNPC			1
Sinopec			1
Saudi Aramco			1
ADNOC			1
Tatneft			1

Source: GlobalData OFFSHORE TECHNOLOGY

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E&ENews CLIMATE CHANGE

The World Will Likely Miss 1.5 Degrees C—Why Isn't Anyone Saying So?

igh many scientists say it's inevitable that the world will overshoot 1.5 degrees Celsius of warming, the global climate talks unfolding in Egypt are bound to the target

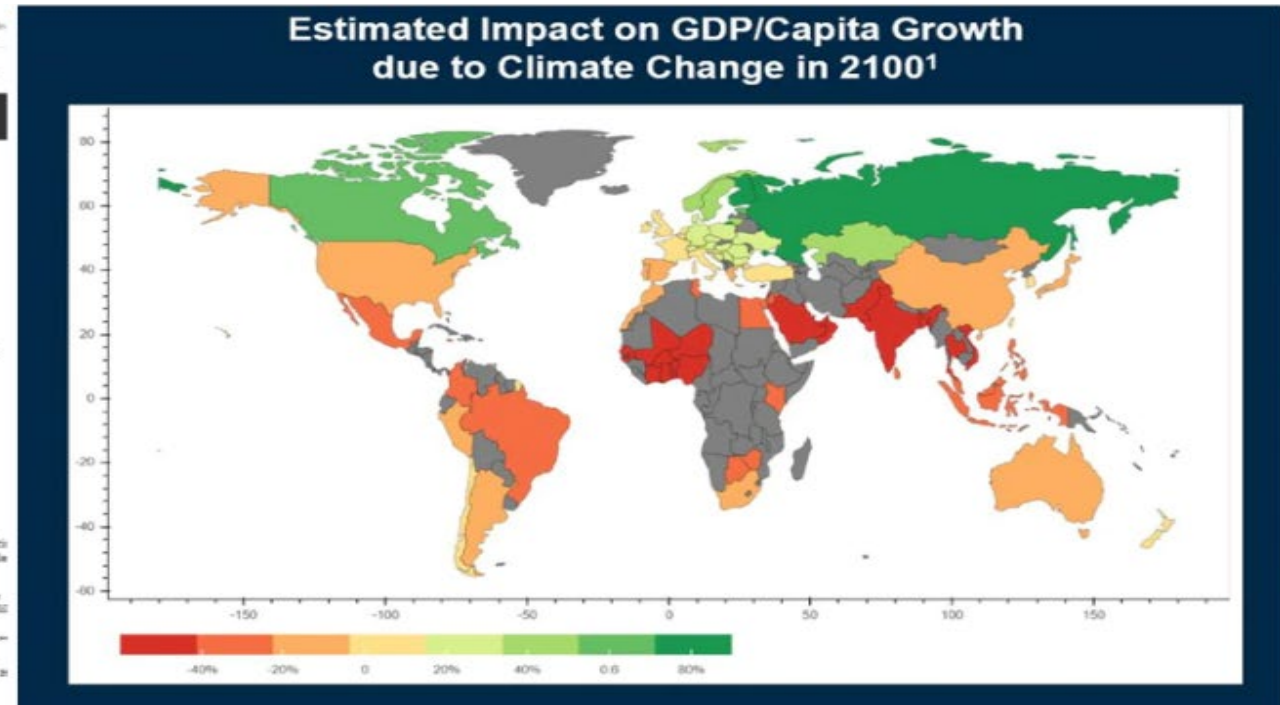
By Chelsea Hanley, E&E News on November 10, 2022

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PSYCHOLOGY The Best New Year's Resolutions to Just Let Go of an Unfulfilling Past Year

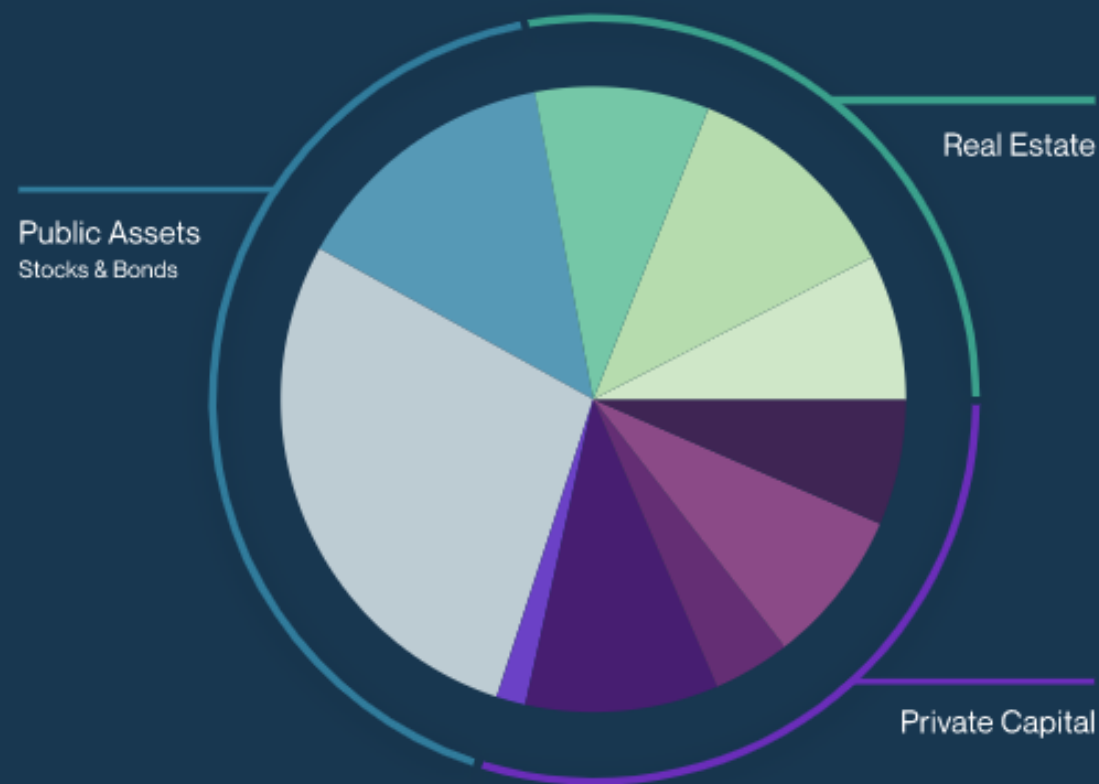
ARTIFICIAL INTELLIGENCE ChatGPT Explains Why AI Is Should Be Regulated

ROBOTICS Rare Animals' Microbiomes H Survival Secrets



Beyond stocks and bonds

To minimize the inevitable ups and downs that come with a reliance on the stock market, our approach to investing includes additional alternative asset classes such as private equity, mortgages, private debt, and institutional grade real estate.



Toggle between tabs:

Diversified Asset Allocation

Typical Asset Allocation

Real Estate

[Learn More](#)

Canadian Real Estate

U.S. Real Estate

Value Add Real Estate

Private Capital

[Learn More](#)

Private Equity

Private Debt

Infrastructure & Renewables

Mortgages

Venture Capital

Public Assets

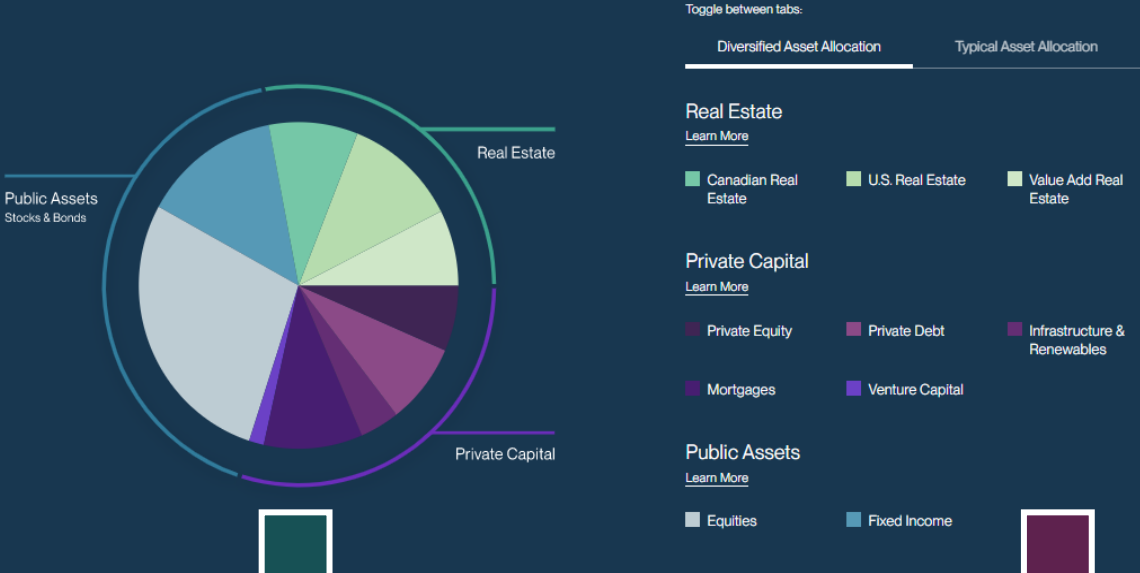
[Learn More](#)

Equities

Fixed Income

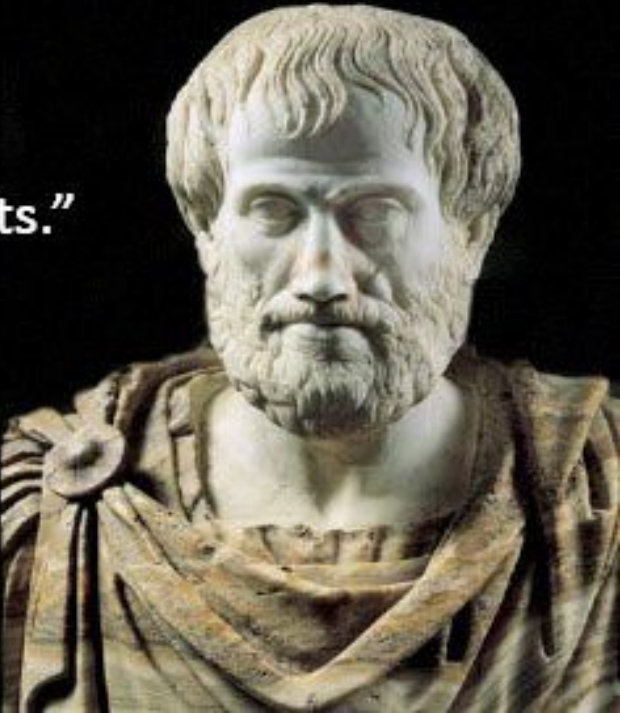
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“The whole is greater than the sum of its parts.”

-Aristotle

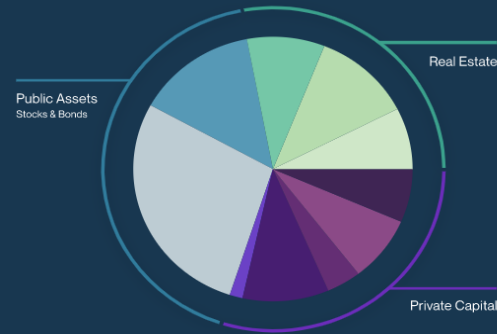


The Whole (Strategy)
Asset Allocation

The Parts (Tactical)
Execute well in each asset class

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Typical Asset Allocation

Real Estate

[Learn More](#)

Canadian Real Estate

U.S. Real Estate

Value Add Real Estate

Private Capital

[Learn More](#)

Private Equity

Private Debt

Infrastructure & Renewables

Mortgages

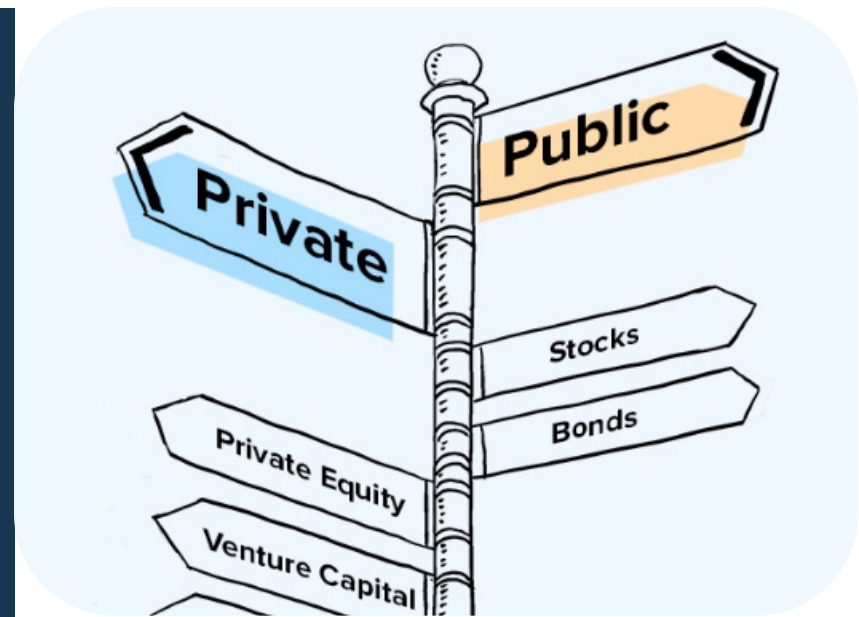
Venture Capital

Public Assets

[Learn More](#)

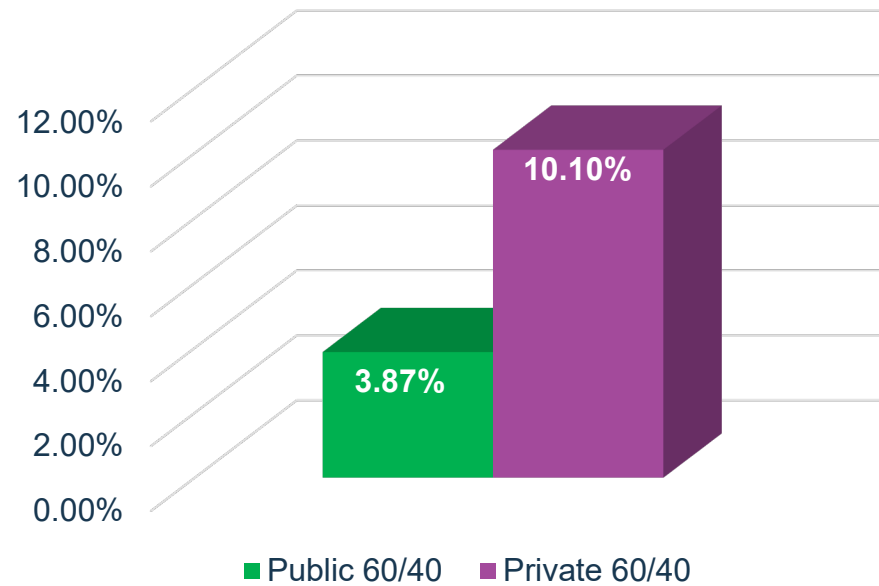
Equities

Fixed Income

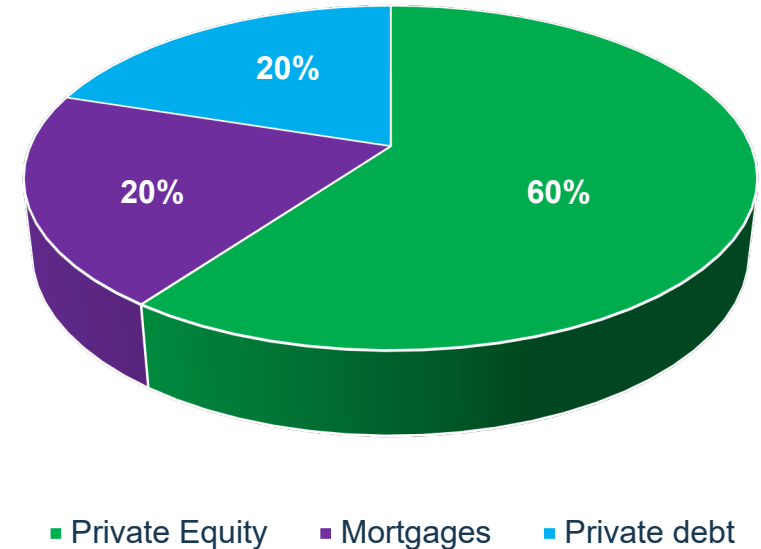


60/40: Public vs. Private

5 Year Annualized Returns



Private Asset Allocation



SEI Neutral Balanced F

Total Return %	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	YTD
Investment	11.56	9.04	4.30	5.08	7.02	-3.49	12.89	7.40	8.41	-9.35	3.24
Category	12.80	8.71	5.37	4.73	7.13	-3.04	12.65	7.38	9.36	-10.73	3.58
Index	11.55	10.43	6.08	5.94	7.82	-0.41	13.65	9.64	8.27	-10.37	3.62
Quartile Rank											
Percentile Rank	43	32	13	82	31	39	55	29	86	31	65
# of Invest. in Cat.	653	926	1,105	1,168	1,258	1,373	1,574	1,584	1,457	1,612	1,500
Category Name	CA119	CA119	CA119	CA119	CA119	CA119	CA119	CA119	CA119	CA136	CA136

CAD | YTD Investment as of Feb 16, 2023 | Category: Global Neutral Balanced as of Feb 16, 2023 | Index: Morningstar Can Neu Gbl Tgt Alloc NR CAD as

Trailing Returns	Day End	Month End	Quarter End					
Total Return %	1-Day	1-Week	1-Month	3-Month	YTD	1-Year	3-Year	5-Year
Investment	-0.25	-0.53	-0.48	3.59	3.24	-3.46	1.89	3.67
Category	-0.28	-0.40	0.03	3.57	3.58	-4.27	1.59	3.58
Index	-0.30	-0.43	0.20	3.32	3.62	-3.86	2.13	4.61
Quartile Rank								
Percentile Rank	41	72	83	49	65	29	41	45
# of Invest. in Cat.	1,500	1,500	1,500	1,500	1,500	1,416	1,192	1,011

Performance Summary

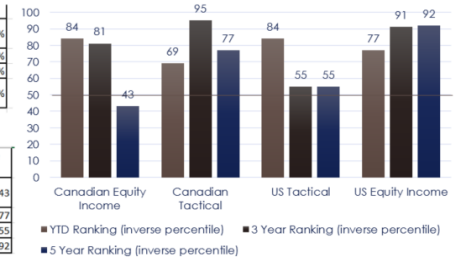
- 11 public pools. 7 equity, 3 fixed income, and 1 balanced
- Returns compared to Morningstar data base (peers in each category)
- Based on YTD 2022, 3-year and 5-year from September 30, 2022
- 32 possible data points
- 31 data points either Q1 or Q2 performance
- 25 data points Q1 Performance



Fund Performance

Fund Name	YTD Return	3 Year Return	5 Year Return
Canadian Equity Income	-6.28%	5.47%	4.23%
Canadian Tactical	-4.87%	4.97%	3.16%
US Tactical (USD)	-11.67%	3.86%	3.46%
US Equity Income (USD)	-18.23%	9.63%	10.44%

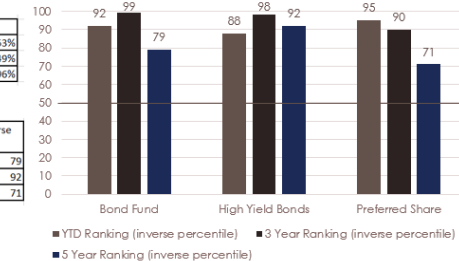
Fund Name	YTD Ranking (inverse percentile)	3 Year Ranking (inverse percentile)	5 Year Ranking (inverse percentile)
Canadian Equity Income	84	81	43
Canadian Tactical	69	95	77
US Tactical	84	55	55
US Equity Income	77	91	92



Fund Performance

Fund Name	YTD Return	3 Year Return	5 Year Return
Bond Fund	-2.21%	3.38%	3.53%
High Yield Bonds	-1.30%	4.67%	4.49%
Preferred Share	-11.45%	7.13%	1.96%

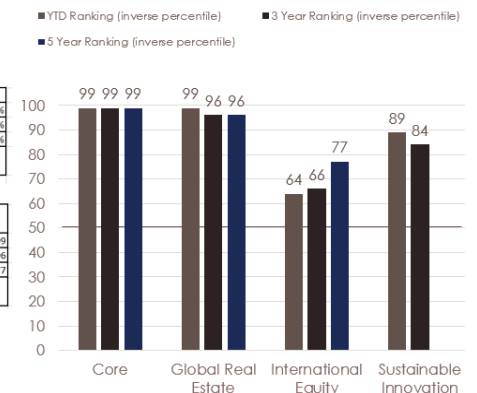
Fund Name	YTD Ranking (inverse percentile)	3 Year Ranking (inverse percentile)	5 Year Ranking (inverse percentile)
Bond Fund	92	99	79
High Yield Bonds	88	98	92
Preferred Share	95	90	71



Fund Performance

Fund Name	YTD Return	3 Year Return	5 Year Return
Core	4.61%	8.75%	8%
Global Real Estate	-5.44%	2.98%	5.49%
International Equity	-20.22%	0.28%	2.76%
Sustainable Innovation (USD)	-18.06%	7.08%	

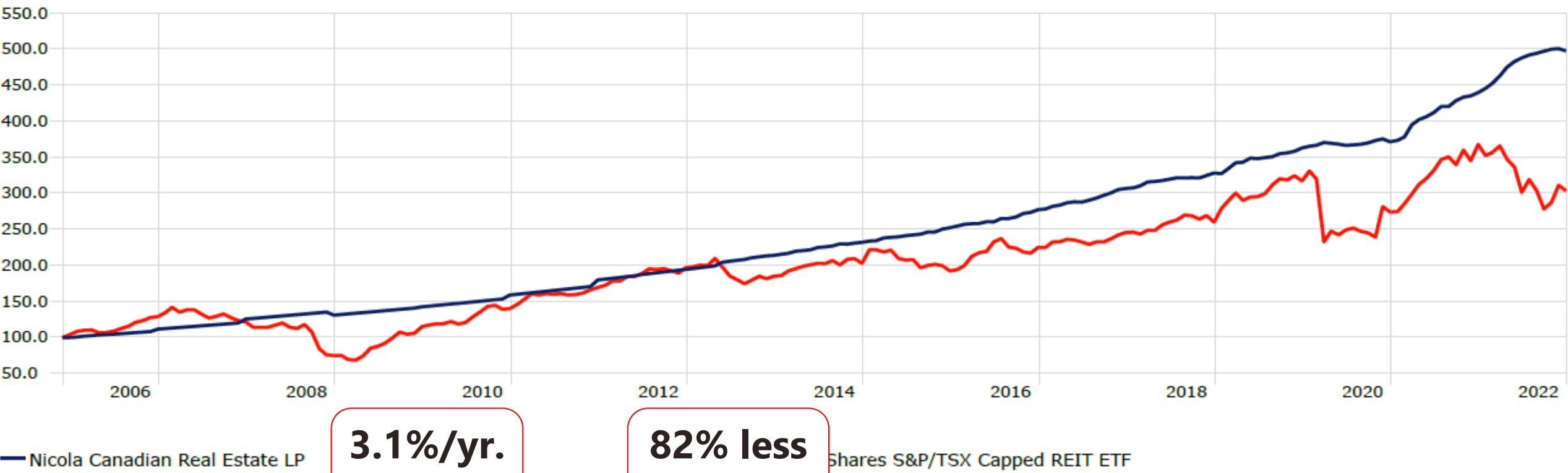
Fund Name	YTD Ranking (inverse percentile)	3 Year Ranking (inverse percentile)	5 Year Ranking (inverse percentile)
Core	99	99	99
Global Real Estate	99	96	96
International Equity	64	66	77
Sustainable Innovation	89	84	



Nicola Canadian Real Estate LP vs iShares S&P/TSX Capped REIT ETF

Time Period: Since Common Inception (12/1/2005) to 12/31/2022

Currency: Canadian Dollar



Performance

Time Period: Since Common Inception (12/1/2005) to 12/31/2022 Calculation Benchmark: iShares S&P/TSX Capped REIT ETF

	Return	Cumulative Return	Std Dev	Beta	Sharpe Ratio (geo)	Overall Capture Ratio	Worst Quarter	Correlation
Nicola Canadian Real Estate LP	9.84	397.08	2.80	0.01	2.96	-1.48	-1.82	0.04
iShares S&P/TSX Capped REIT ETF	6.71	203.33	15.77	1.00	0.33	1.00	-30.36	1.00

MEMOS FROM HOWARD MARKS
DEC 13, 2022

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Sea Change

sea change (idiom): a complete transformation, a radical change of direction in attitude, goals . . . (*Grammarist*)

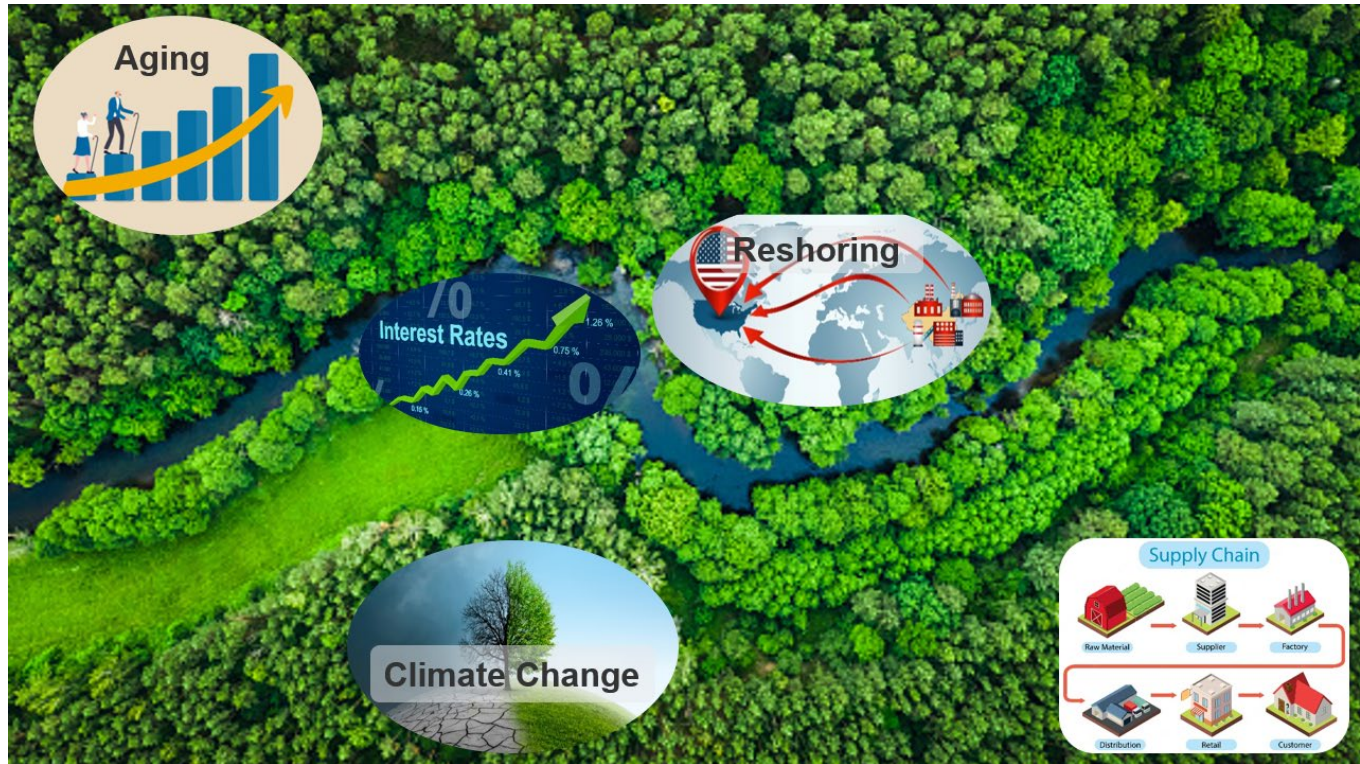
In my 53 years in the investment world, I've seen a number of economic cycles, pendulum swings, manias and panics, bubbles and crashes, but I remember only two real sea changes. I think we may be in the midst of a third one today.

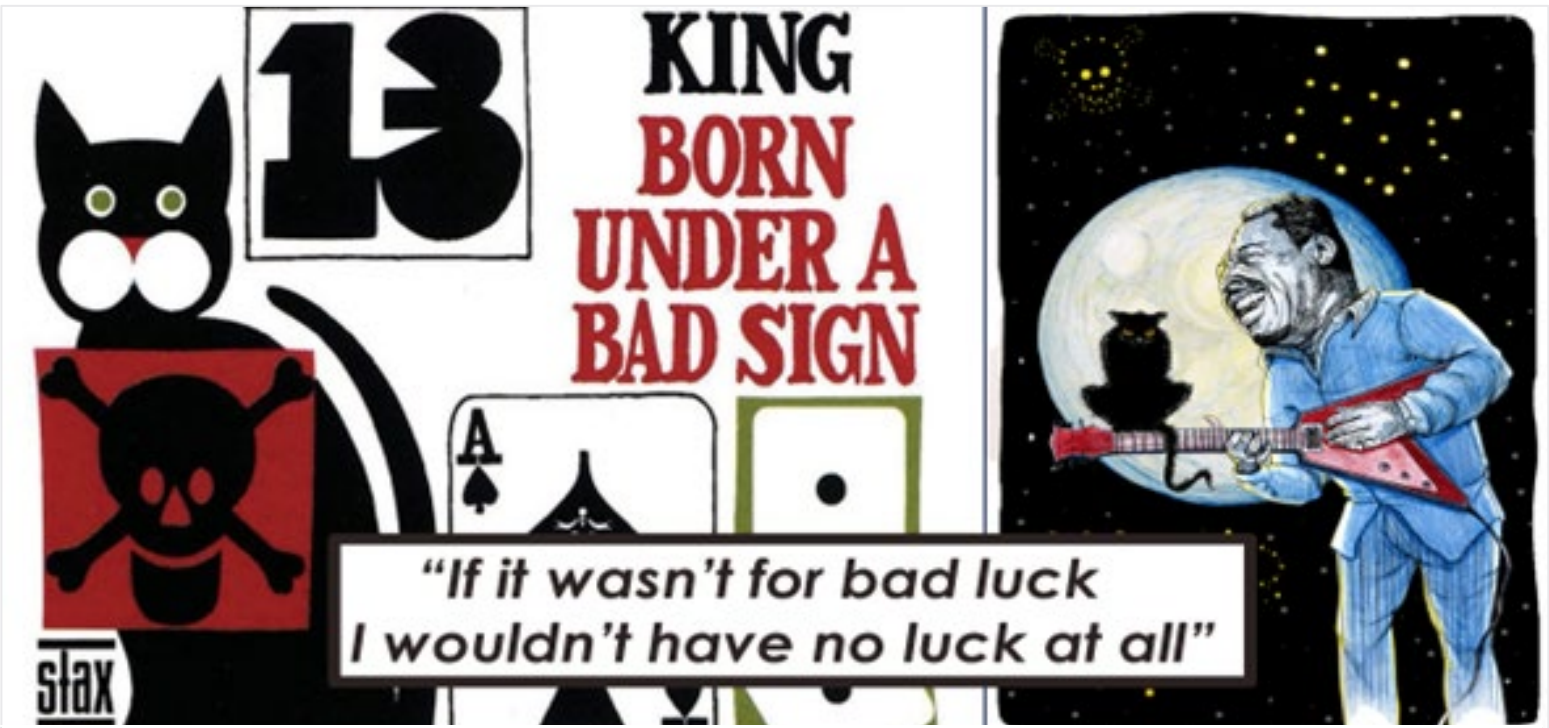
As I've recounted many times in my memos, when I joined the investment management industry in 1969, many banks – like the one I worked for at the time – focused their equity portfolios on the so-called “Nifty Fifty.” The Nifty Fifty comprised the stocks of companies that were considered the best and fastest-growing – so good that nothing bad could ever happen to them. For these stocks, everyone was sure there was “no price too high.” But if you bought the Nifty Fifty when I started at the bank and held them until 1974, you were sitting on losses of more than 90% . . . from owning pieces of the best companies in America. Perceived quality, it turned out, wasn't synonymous with safety or with successful investment.

Meanwhile, over in bond-land, a security with a rating of single-B was described by Moody's as “failing to possess the characteristics of a desirable investment.” Non-investment grade bonds – those rated double-B and below – were off-limits to fiduciaries, since proper financial behavior mandated the avoidance of risk. For this reason, what soon became known as high yield bonds couldn't be sold as new issues. But in the mid-1970s, Michael Milken and a few others had the idea that it should be possible to issue non-investment grade bonds – and to invest in them prudently – if the bonds offered enough interest to compensate for the risk of default. In 1978, I started investing in these securities – the bonds of perhaps America's riskiest public companies – and I was making money steadily and safely.

Markets Sees Third Sea Change Underway in Markets

Argus Television - Jan 18, 2023





Return expectations 10 years equities and US bonds (nominal and before fees)

Company	US Equities	Developed Market Equities	Emerging Market Equities	US Bonds
Blackrock	5.00%	7.00%	6.20%	0.80%
JP Morgan	4.10%	5.50%	7.20%	2.50%
Morningstar	-0.10%	4.80%	4.50%	1.00%
Research affiliates	2.00%	6.30%	7.90%	1.10%
Vanguard	4.70%	8.00%	8.00%	1.25%

Future Value Balanced
Portfolio (net of fees and
inflation)

\$1,136.02

After inflation / fee IRR
(10 years)

1.28%

Results Since 2020

Morningstar Neutral Balanced =
1.9% per year before inflation and fees

Equal to a net after-inflation return of
about -3% to -4% per year

How and where can we add value?

Commercial Real Estate Investment

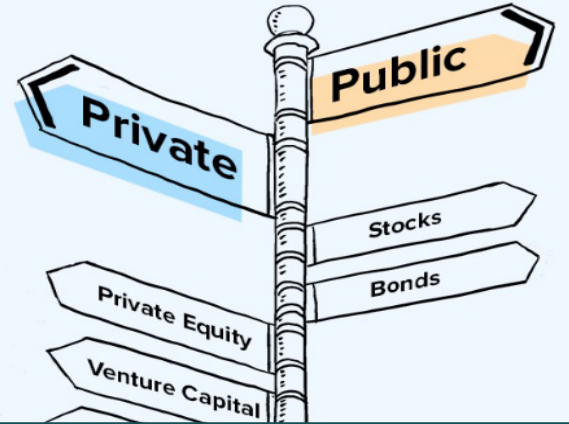


- Industrial / residential
- Repositioning assets
- Special situations (storage)
- Build to own



**FIXED
INCOME**

- Private assets (mortgages and private debt)
- Separately managed accounts (SMA's)
- Floating rate debt



- Directly manage assets
- Value / cash flow approach

Advanced Planning Tools

Compensation Analysis

- Dividends vs. Salary for compensation
- Impact of Active Business Tax rate
- When both make sense
- When to use IPPs vs. RRSPs

Compensation Analysis - British Columbia													
Salary + Registered Savings VS Dividends + Corporate Savings (2023)													
Pre-Tax Income	Corporate Active Tax Rate	Corporate Passive Tax Rate	Top Personal Tax Rate	Annual Investment Return	Inflation Factor	Div. Payout Ratio	Current Year YMPE	CPP Non Contribution Threshold	2023 CPP Tier 1 Rate (Self Employed)	2025 + CPP Tier 2 Rate	Current Year CPP maximum premium Tier 1	Current Max CPP Benefit - Monthly	CP Enhances 65 from 2 to 26
150,000	27.0%	50.17%	53.5%	6.0%	2.0%	82.0%	\$ 66,600	\$3,500	11.90%	8.00%	\$7,509	\$1,307	50%
%													
Summary of Results													
After-Tax Compensation				Salaried Income Results				Dividend Income Results				Dividends vs. Salar	
Years	After-Tax Compensation		Difference	Before-tax savings	CPP notional account	Total Registered and CPP Notional	After Tax registered	Before Tax corporate	RDOTH	Total Corporate	Corporate after Tax	Before Tax	After
	Salary	Dividend	(\$)	(%)					Recover Annually				
5	466,003	\$ 451,867	(14,136)	-3.1%	\$ 167,531	\$ 47,061	\$ 214,592	\$ 77,902	\$ 121,057	\$ 370	\$ 121,427	\$ 77,058	(\$ 93,164)
10	969,142	\$ 948,506	(20,636)	-2.2%	\$ 409,161	\$ 110,954	\$ 520,115	\$ 190,260	\$ 292,994	\$ 896	\$ 293,890	\$ 186,502	(\$ 226,225)
15	1,513,784	\$ 1,491,783	(22,001)	-1.5%	\$ 751,769	\$ 194,522	\$ 946,290	\$ 349,572	\$ 532,210	\$ 1,631	\$ 534,841	\$ 359,410	(\$ 411,449)
20	2,103,804	\$ 2,084,791	(19,013)	-0.9%	\$ 1,231,510	\$ 302,635	\$ 1,534,145	\$ 572,652	\$ 864,746	\$ 2,645	\$ 867,391	\$ 550,446	(\$ 666,754)
25	2,740,571	\$ 2,731,059	(9,512)	-0.3%	\$ 1,896,980	\$ 441,282	\$ 2,338,262	\$ 892,096	\$ 1,318,076	\$ 4,031	\$ 1,322,108	\$ 839,010	(\$ 1,016,154)
30	3,427,916	\$ 3,435,677	\$ 7,761	0.2%	\$ 2,613,439	\$ 617,818	\$ 3,231,257	\$ 1,308,210	\$ 1,933,478	\$ 5,914	\$ 1,939,393	\$ 1,230,720	(\$ 1,491,864)

Estate Planning and Philanthropy

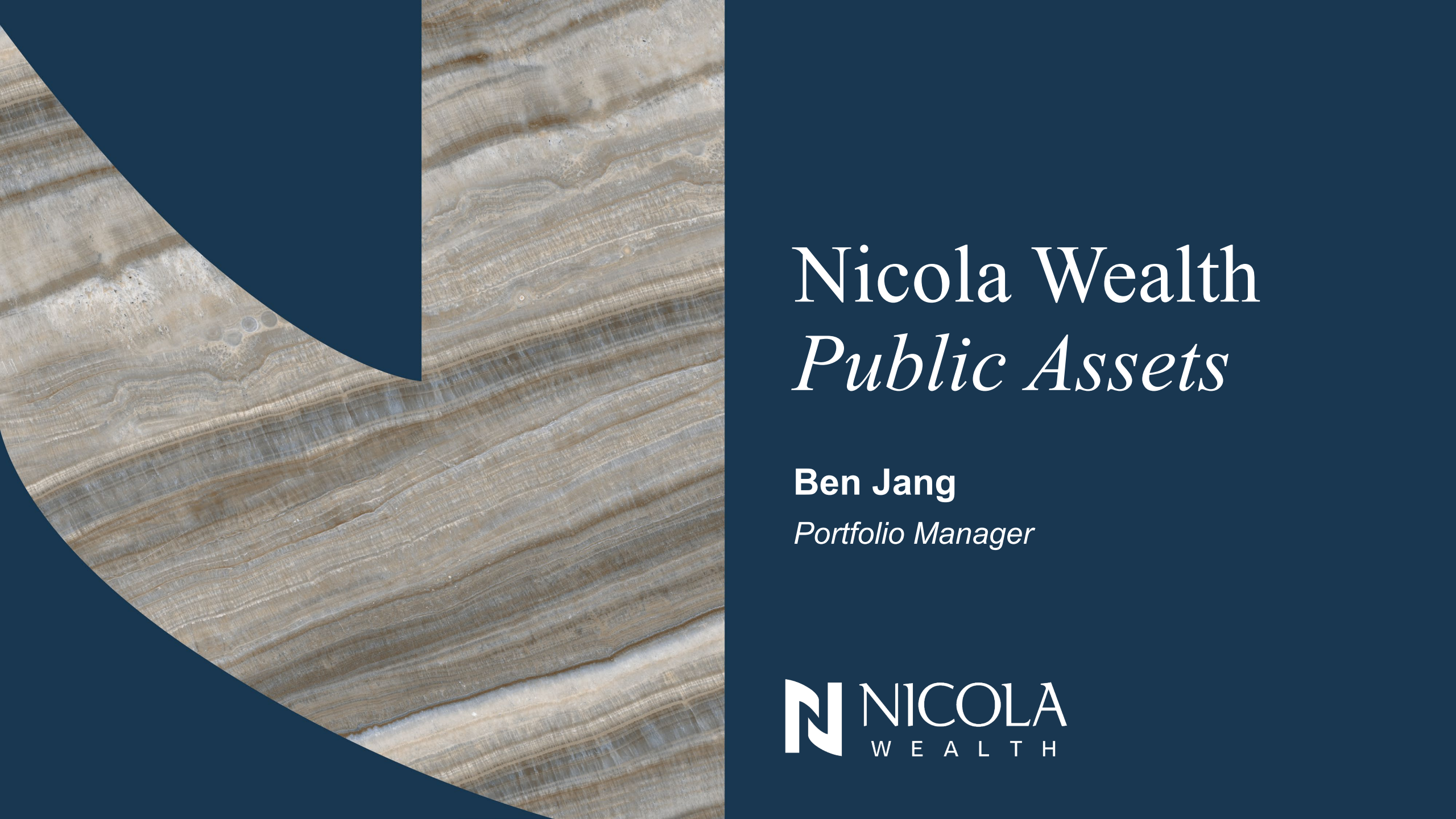
- Tax impact on income and asset building
- Timing and structure of philanthropic gifts
- Projections as to estate growth and foundations or DAFs
- Tax liabilities in estates and how to mitigate them

Estate and Philanthropy Projections								Estate / Philanthropy little planning				
No or little planning												
Age	Gross estate	Tax estimate plus probate fees	Net Estate after taxes and charitable gifts	Donor advised Fund	Cumulative Charitable gifts	Total = net estate after taxes+DAF + lifetime gifts	Total Spendable Income	Age	Gross estate	Tax estimate plus probate fees	Net Estate after taxes and charitable gifts	Donor advised Fund
47	\$ 98,878,250	\$ 12,882,379	\$ 85,995,870	\$ -	\$ -	\$ 85,995,870	\$ 953,363	47	\$ 84,598,500	\$ 24,937,415	\$ 59,661,085	\$ -
50	\$ 126,256,630	\$ 16,847,631	\$ 109,409,000	\$ 3,832,067	\$ 396,764	\$ 114,197,790	\$ 4,821,623	50	\$ 111,004,265	\$ 32,733,360	\$ 78,270,905	\$ -
55	\$ 182,863,487	\$ 25,406,170	\$ 157,457,317	\$ 11,882,869	\$ 2,347,876	\$ 180,121,181	\$ 9,994,393	55	\$ 176,774,341	\$ 52,020,147	\$ 124,754,194	\$ -
60	\$ 239,236,016	\$ 34,618,164	\$ 204,617,852	\$ 20,714,678	\$ 6,536,366	\$ 231,868,896	\$ 17,225,512	60	\$ 284,660,451	\$ 83,442,717	\$ 201,217,734	\$ -
65	\$ 318,817,327	\$ 42,238,886	\$ 276,578,441	\$ 82,435,282	\$ 23,125,124	\$ 379,138,847	\$ 26,061,295	65	\$ 324,768,232	\$ 96,173,432	\$ 228,594,800	\$ -
70	\$ 382,887,419	\$ 52,132,083	\$ 330,755,336	\$ 102,293,993	\$ 46,629,332	\$ 479,797,291	\$ 37,788,261	70	\$ 406,993,467	\$ 121,298,136	\$ 285,695,331	\$ -
75	\$ 467,889,619	\$ 64,953,347	\$ 402,936,272	\$ 128,817,487	\$ 75,873,125	\$ 598,017,204	\$ 48,183,389	75	\$ 511,009,419	\$ 152,198,583	\$ 358,810,835	\$ -
80	\$ 574,988,288	\$ 81,296,656	\$ 493,691,632	\$ 137,829,852	\$ 107,893,581	\$ 739,188,185	\$ 61,230,588	80	\$ 643,439,813	\$ 191,265,663	\$ 452,174,150	\$ -
85	\$ 718,275,486	\$ 102,894,998	\$ 615,380,488	\$ 158,678,198	\$ 145,289,777	\$ 919,348,463	\$ 77,871,263	85	\$ 813,168,574	\$ 241,326,991	\$ 571,841,583	\$ -

Tax Analysis of Investment

- Tax efficiency of non-registered assets
- Corporate vs. personal investing
- Using life insurance, debt restructuring, and philanthropy to reduce taxable income

2016-2020 TAXABLE ANALYSIS OF INVESTMENT PORTFOLIO							
Assumptions	Corporate (Passive)	Corporate (Active)	Personal	Exchange Rate			
Maximum Tax Rates	50.70%	27.00%	53.50%	1.26			
Expected Tax Rates	50.70%	27.00%	30.00%				
*BC Tax Rates Used							
	Starting Balance	Net Deposits	Ending Balance	Return Net of Fee(\$)	Return Net of Fee(%)	Taxal	
CANADIAN DOLLAR ACCOUNTS							
Registered Accounts							
2020		29,024	0	30,903	1,880	6.46%	
2020		88,526	6,000	100,544	6,017	6.36%	
2020		2,340,472	(76,500)	2,375,272	111,300	4.78%	
2020		147,591	0	155,983	8,392	5.67%	
2020		88,818	6,000	100,857	6,039	6.37%	
Cad Totals	2,694,431	(64,500)	2,763,559	133,628	4.90%		
Non-Registered Accounts							
2020		33,785,857	(464,627)	34,976,640	1,655,409	4.91%	
2020		6,537,548	(47,130)	6,900,594	410,177	6.28%	
2020		5,778,733	(31,000)	6,136,672	388,939	6.75%	
2020		1,112,177	69,575	1,140,649	(41,103)	-3.62%	
Cad Totals	47,214,315	(473,182)	49,154,555	2,413,422	5.01%		



Nicola Wealth *Public Assets*

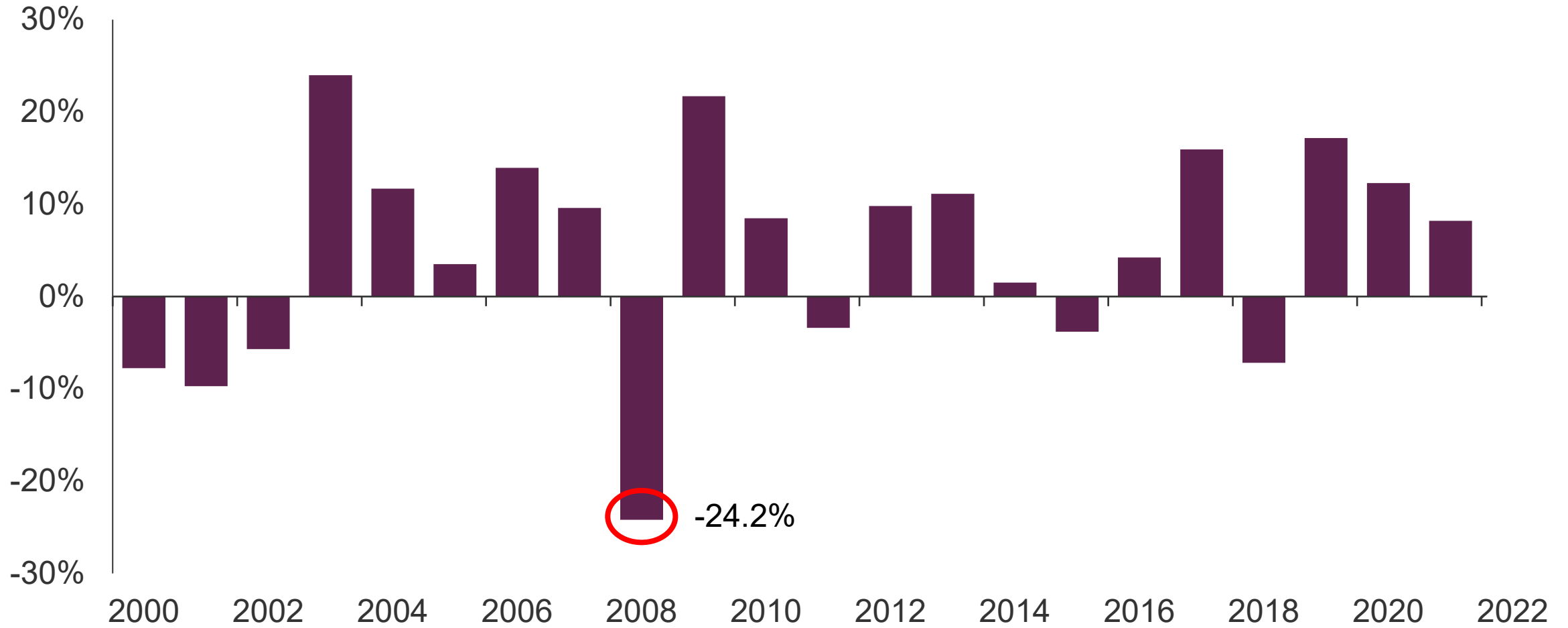
Ben Jang

Portfolio Manager



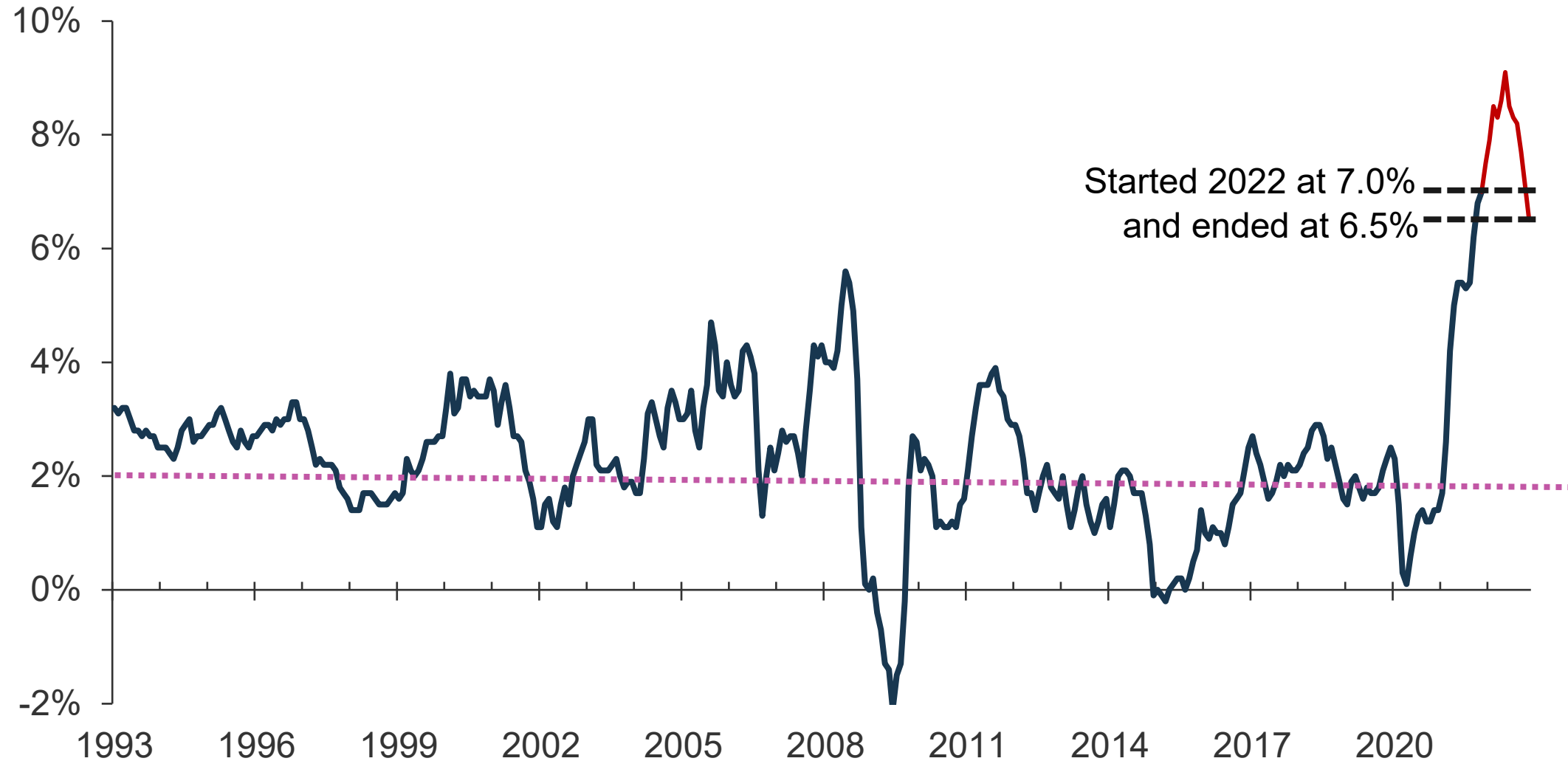
2022 was a Terrible Year

Annual Performance of a 60/40 Benchmark

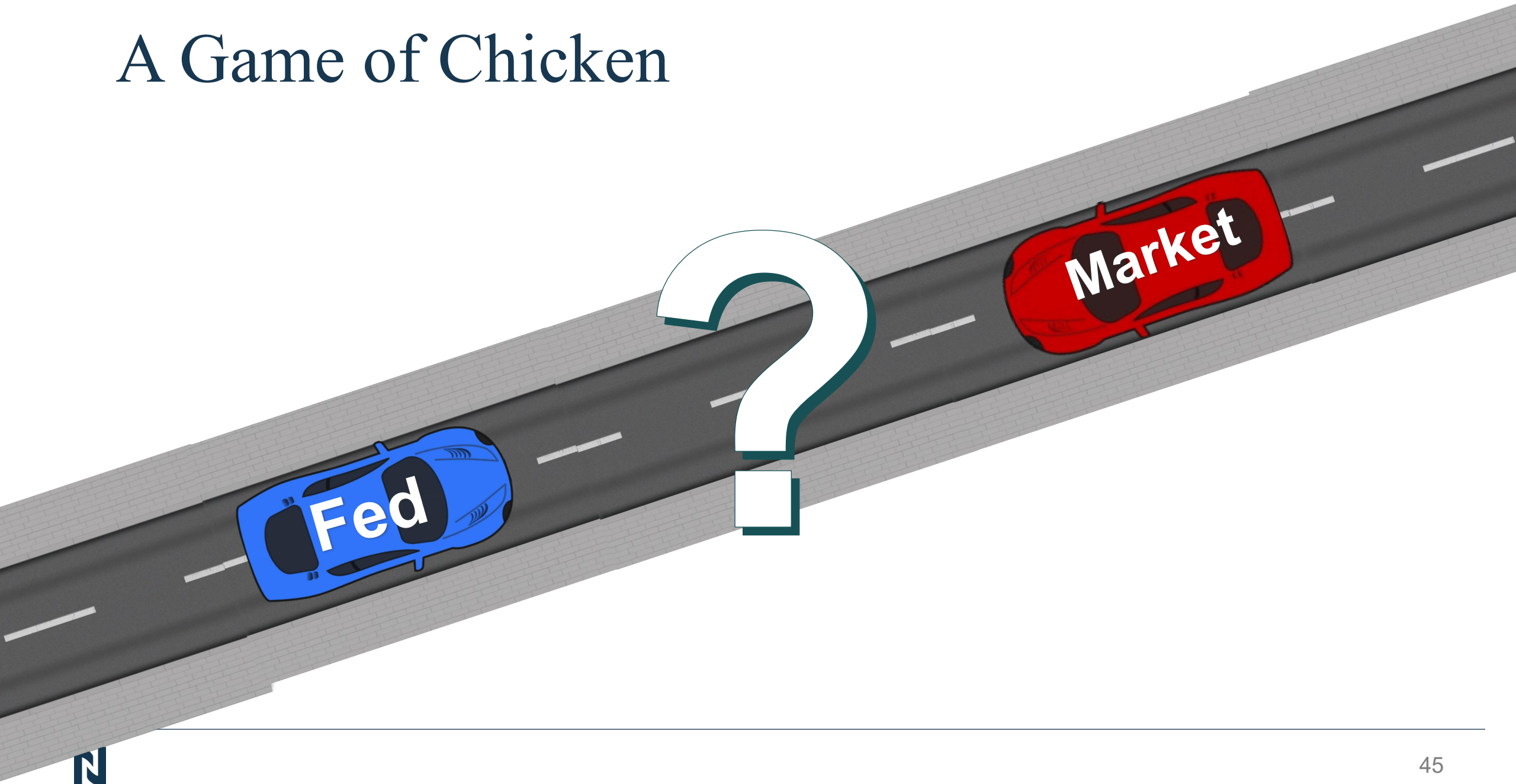


- What happened in public markets in 2022?
- What do we expect going forward?
- How are we positioned to take advantage of the current environment?

Inflation Started and Ended the Year at High Levels



A Game of Chicken



US Inflation



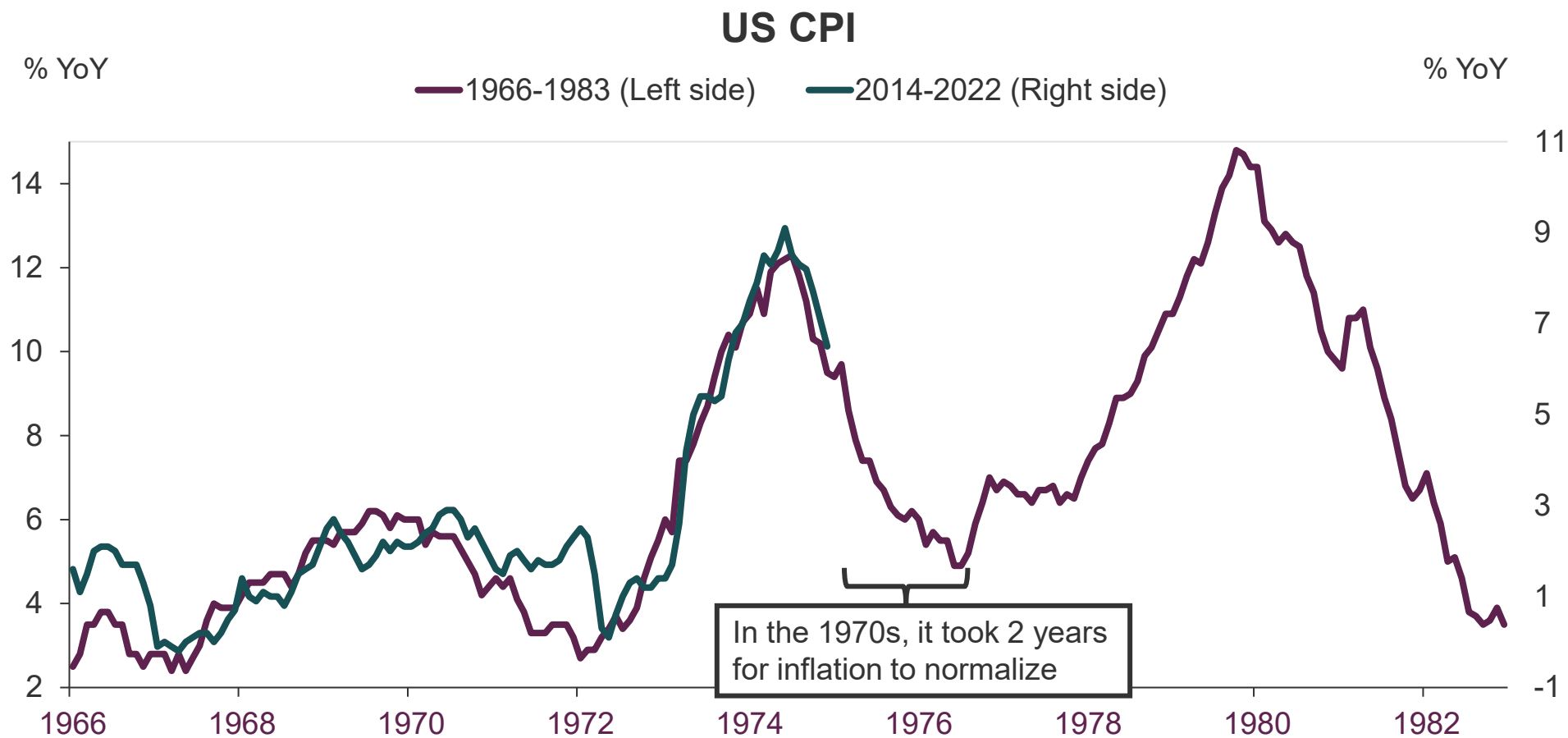


Inflation

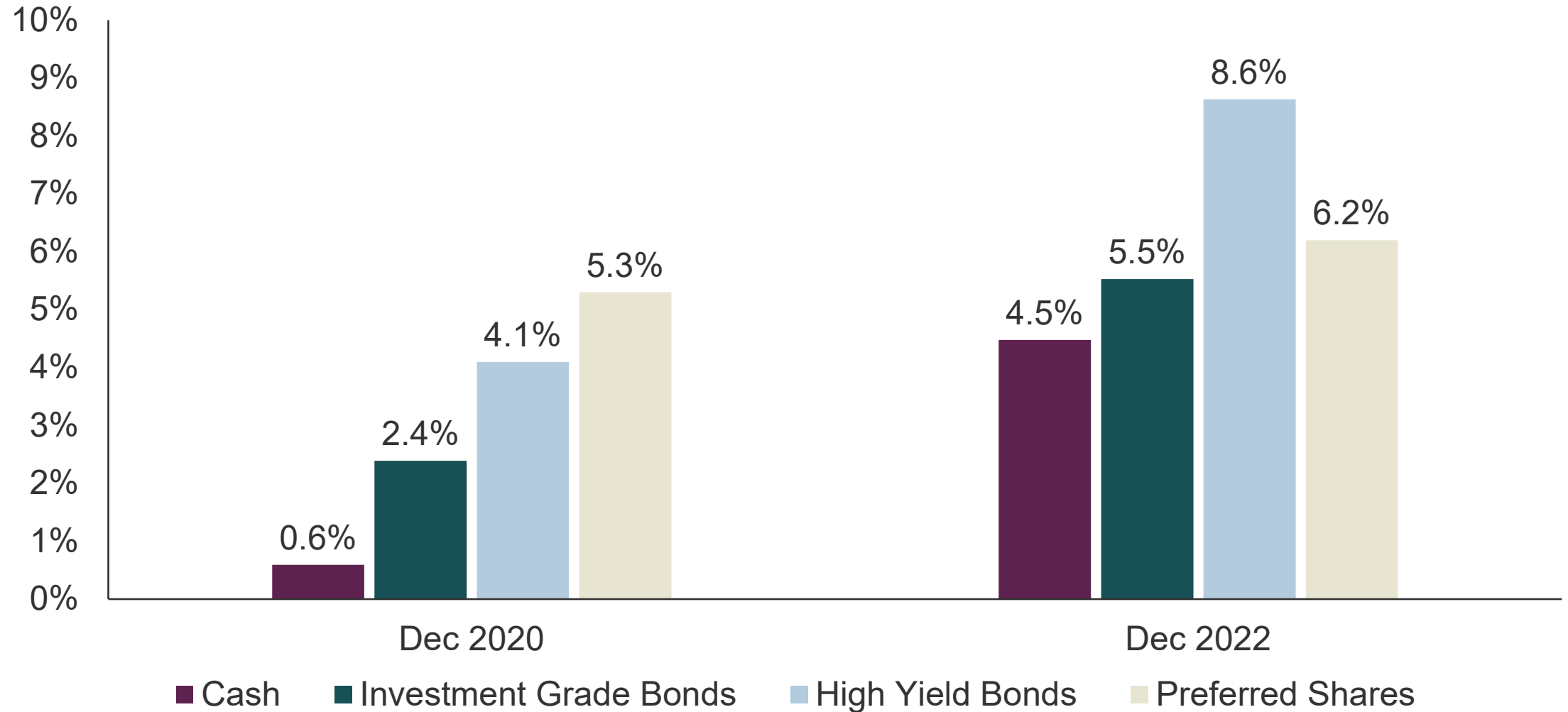


Houston, we have a problem

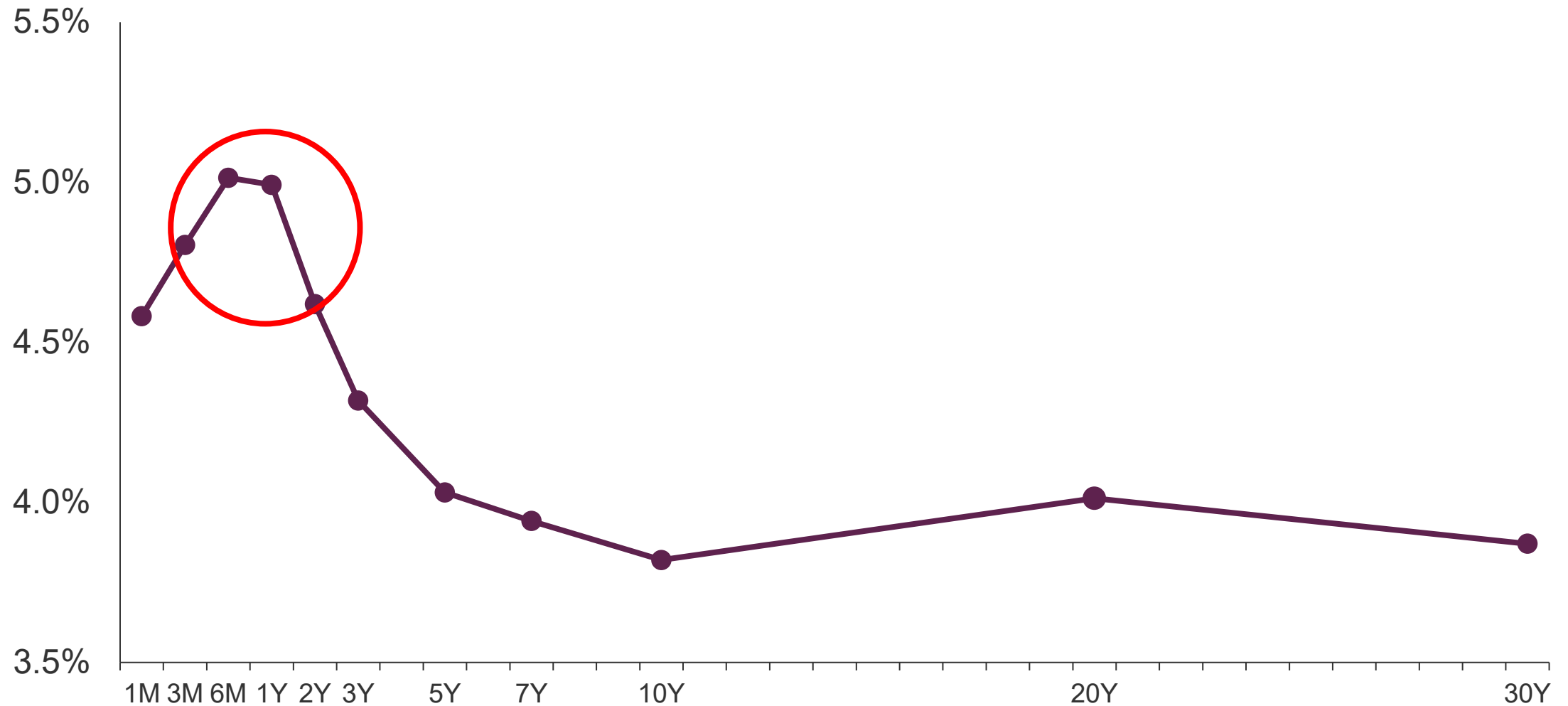
Historically, Inflation Took Time to Normalize



Fixed Income Yields Are Attractive



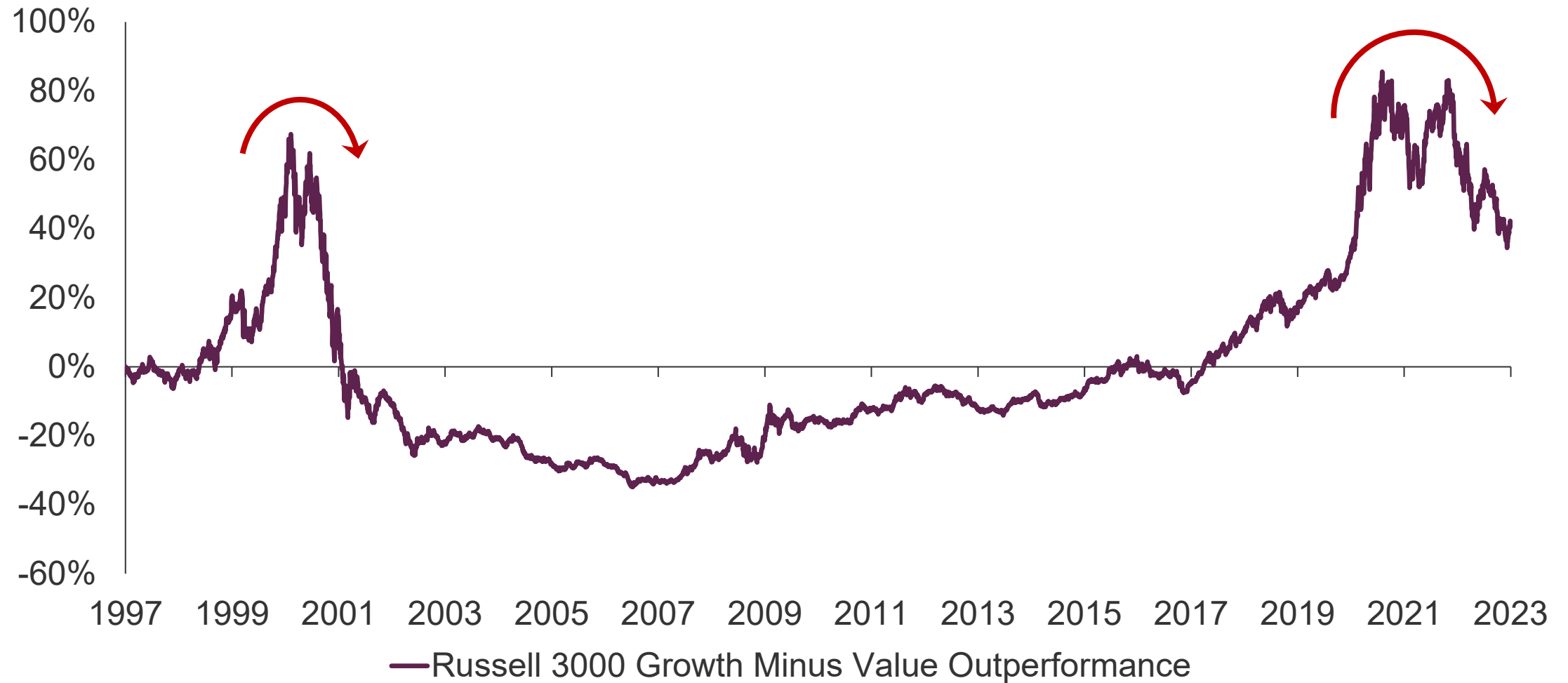
US Yield Curve is Inverted



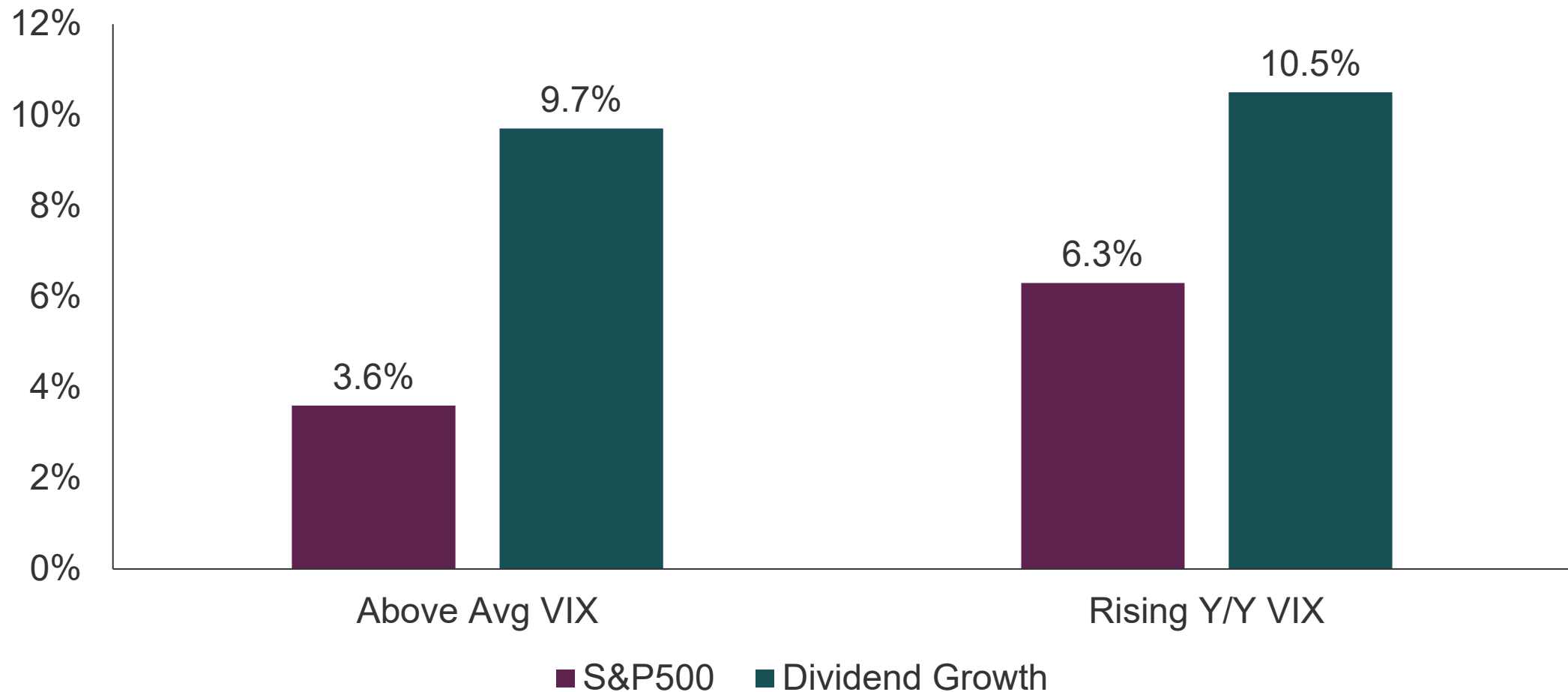
Investors are Defensively Positioned



Value to Outperform Growth



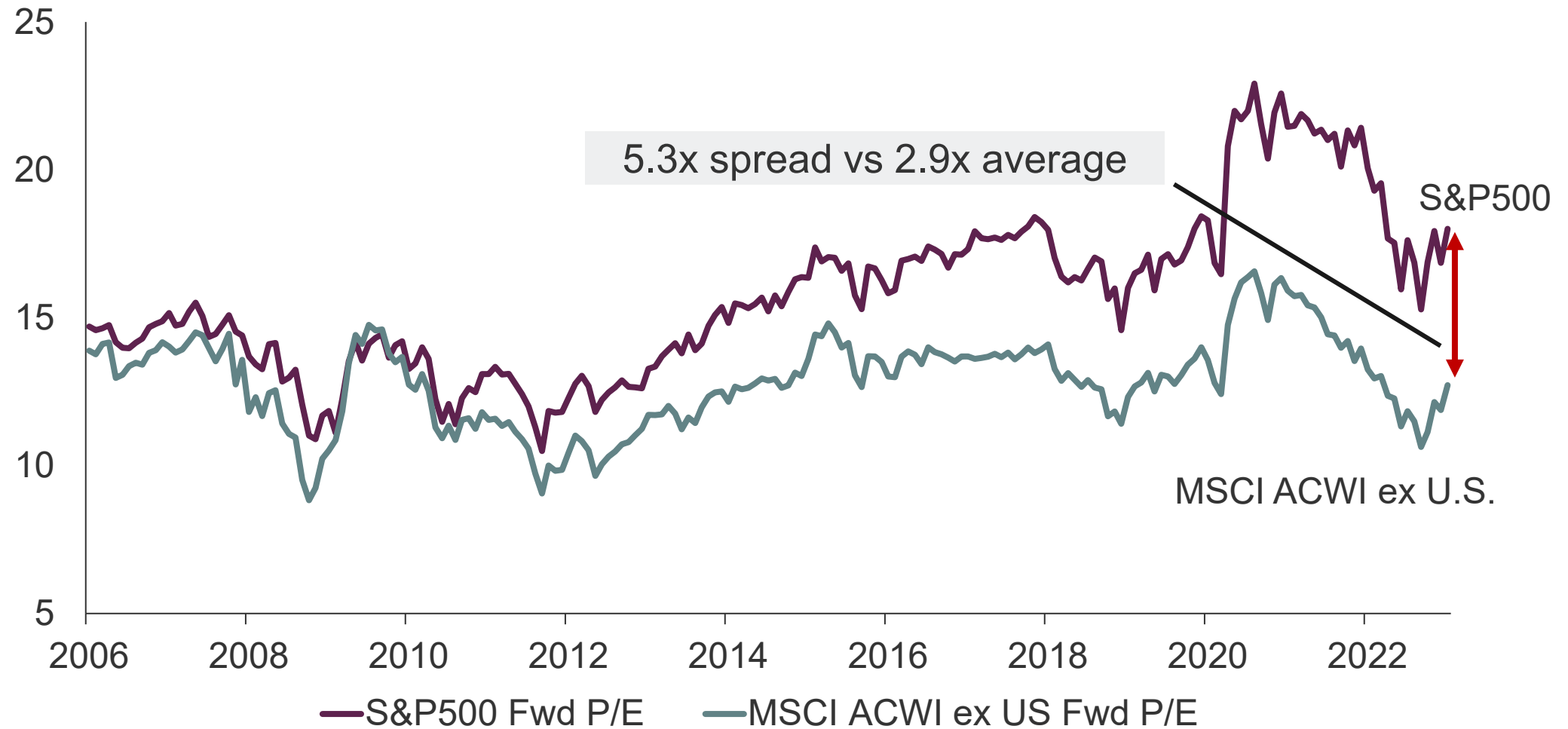
Dividend Growth Stocks Perform Well in Volatile Times



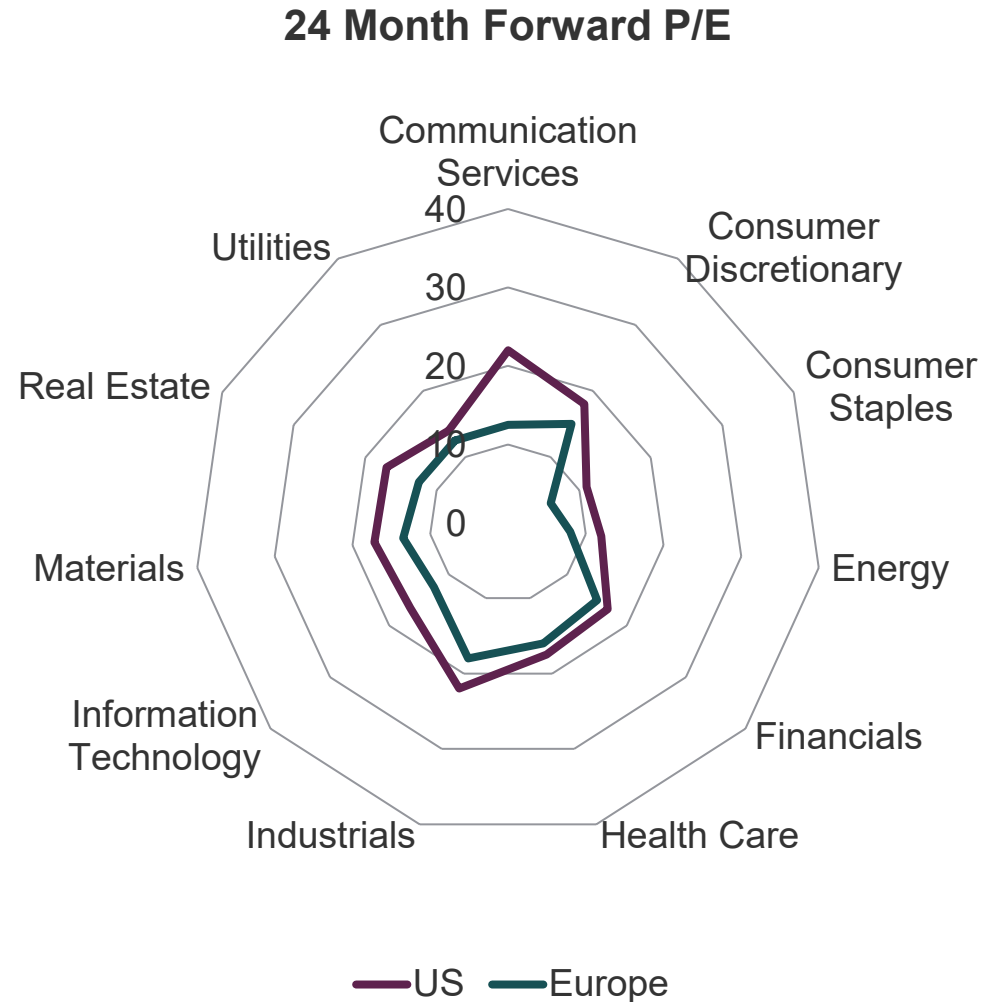
REITS are Attractive



International Equities are Cheaper than US Equities



European Equities are Cheaper in Every Sector



How Do We Find Alpha in Public Markets?

- Bonds are Back
- Remain Diversified
- Volatility = Opportunity



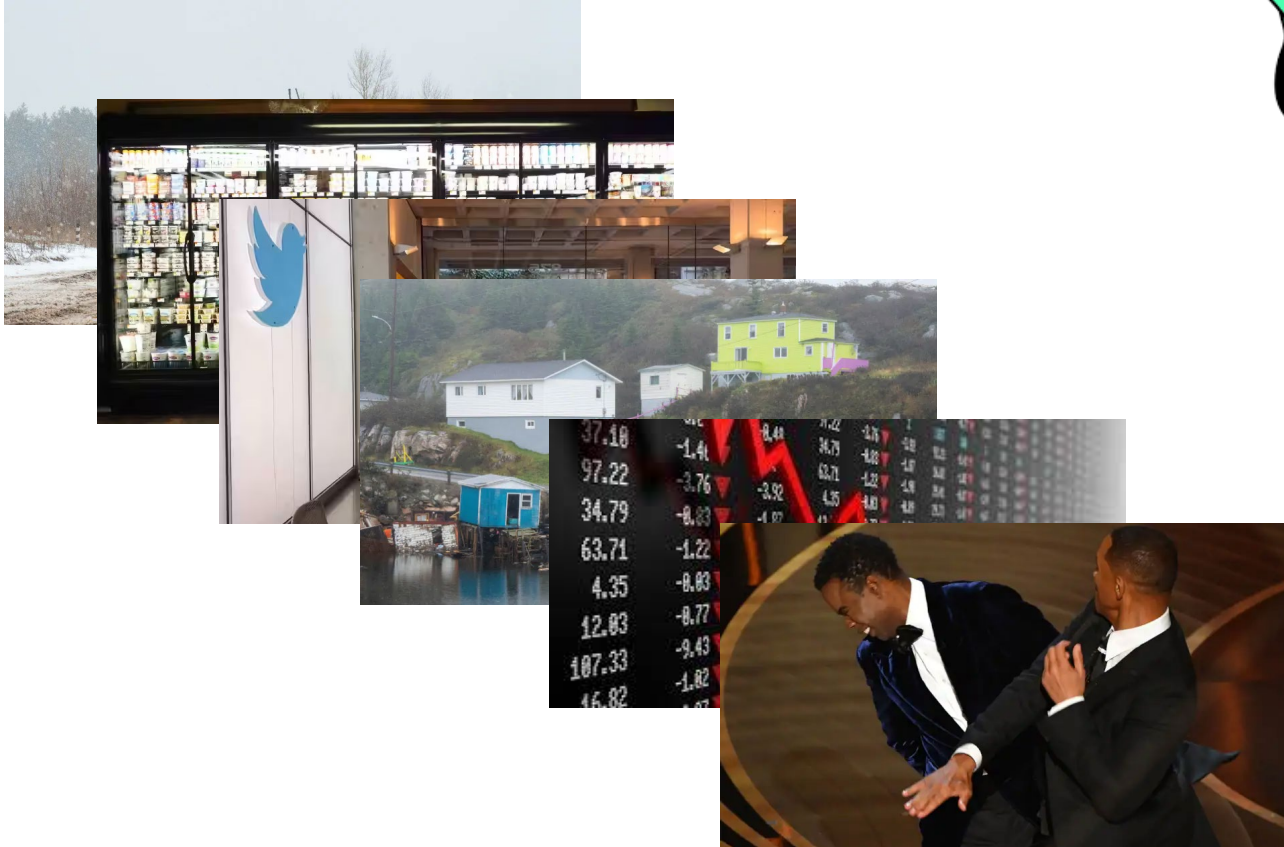
Nicola Wealth *Private Capital*

Bijal Patel

CFO & Head of Nicola Wealth Private Capital

N NICOLA
W E A L T H
— PRIVATE CAPITAL —

Private Capital was not immune to the macro conditions in 2022



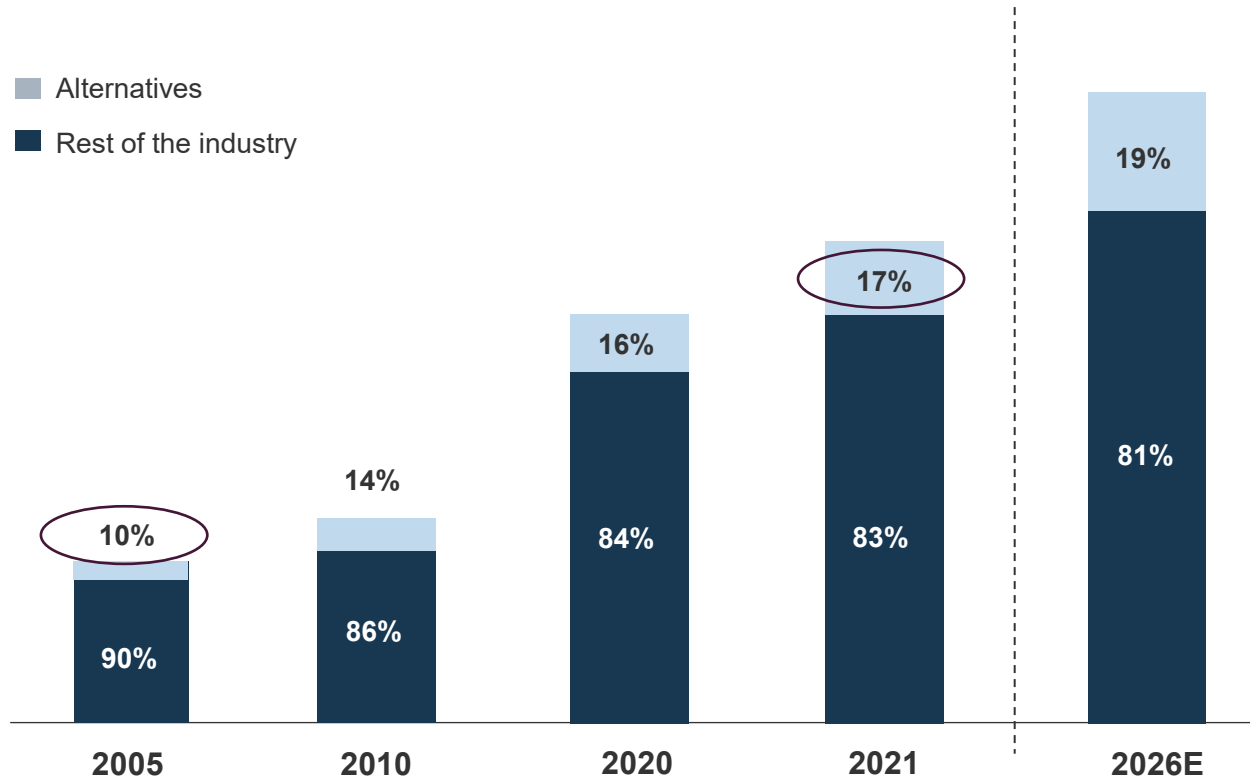
Finding Alpha

Pick Great Partners

Active Management

Portfolio Construction

Alternatives are becoming an increasing part of the investing landscape



Source: PitchBook | Geography Global

*Historical AUM and forecasts generated on January 5, 2023

Alternatives include private equity, private debt, real assets

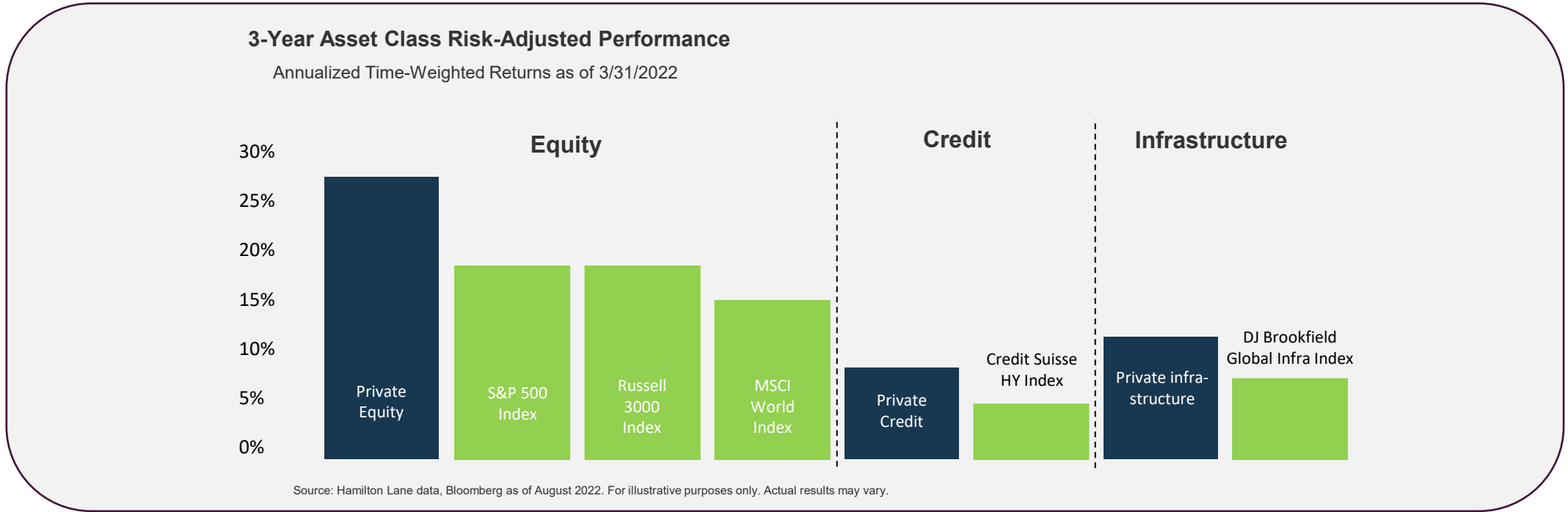
Mix up 70%



AUM up 9%



Why are investors increasing allocations to private capital?



Enhanced returns

Historically less volatility

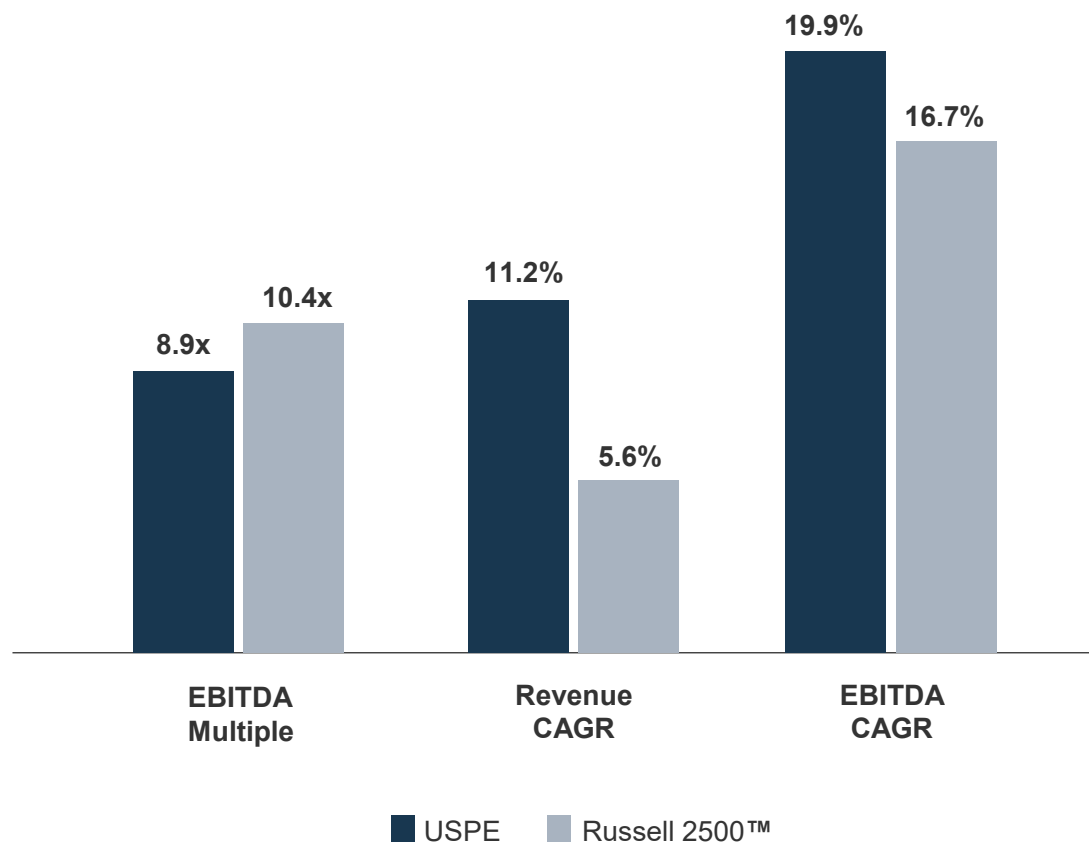
Emergence of retail



Why invest in private equity?

US PRIVATE EQUITY VS RUSSELL 2500™

Median Operating Metrics Data as of December 31, 2020, Returns as of March 31, 2022



Sources: Cambridge Associates LLC Private Investments Database (as reported by Investment managers), FactSet Research Systems, and Frank Russell Company.



Past performance is not indicative of future results. All investments contain risk and may gain or lose value

**Access to more
companies**

**Active value-adding
ownership**

**Higher risk-adjusted
returns**

Themes for private equity investors going into 2023

	Gulf War	Dot. Com	Global Financial Crisis	COVID
Global PE IRR (1stQ)	29%	21%	16%	35%
S&P 500 PME (1st Q)	21%	8%	15%	19%

Valuations



Current vintages



•Source: IMF, World Bank, Federal Reserve, National Bureau of Economic Research, Burgiss. Global PE returns represent the average (median) Private Equity, Venture Capital and Private Debt returns of the vintage years shown in each period. Data as of Q3'2021. 6. S&P 500 PME returns as of Q3'2021. S&P 500 PME returns represent the public market equivalent returns that would have been generated in the S&P 500, assuming the same cash flows / timing of investments as in the Burgiss Buyout benchmark universe.

Why invest in infrastructure?

**Essential
Services**



**Adjustable
Pricing**



**Government
Counterparties**



**High Barriers
to Entry**



Inflation Protection

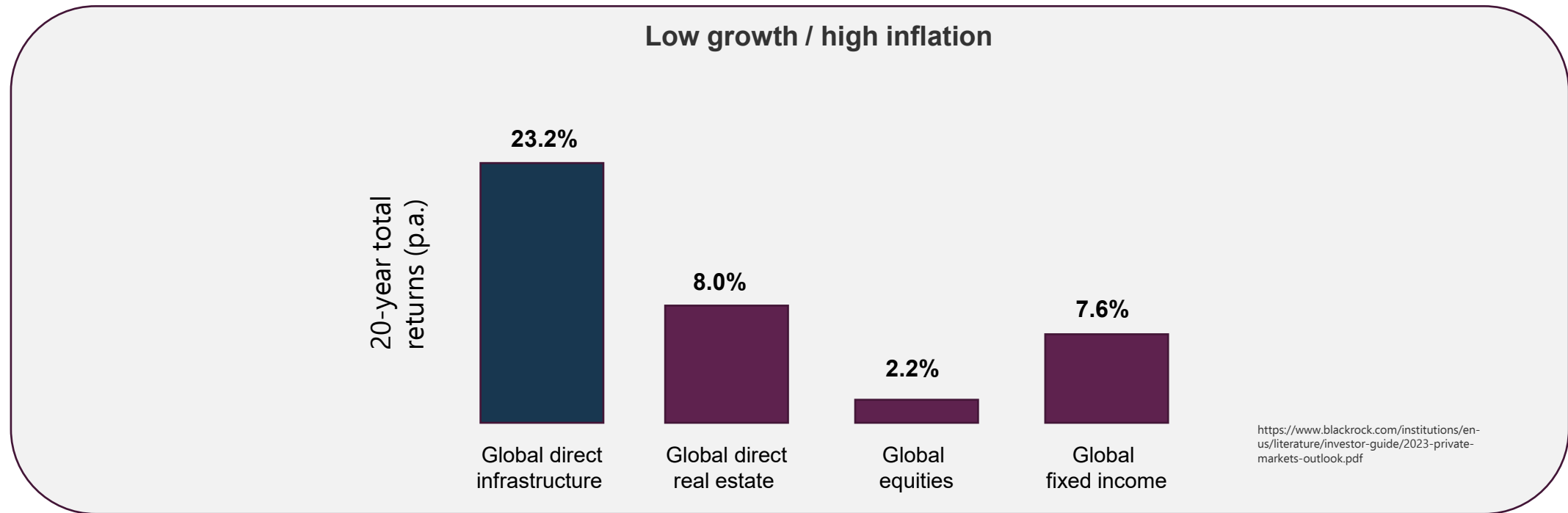
**Predictable Cash
Flows**

Low Volatility



Past performance is not indicative of future results. All investments contain risk and may gain or lose value

Infrastructure remains well positioned for current macro environment



Outperformance in
inflationary periods



Energy security /
Carbon reduction



Digitalization

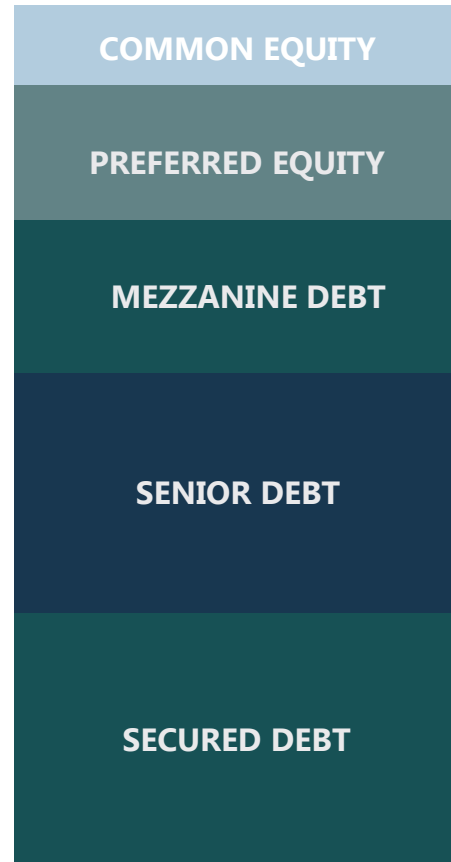


Why invest in private debt and mortgages?

Capital Preservation
Strategies

Mezzanine
Debt Funds

Senior
Debt Funds



ILLUSTRATIVE CORPORATE
STRUCTURE

Stable Income

**Downside
Protection**

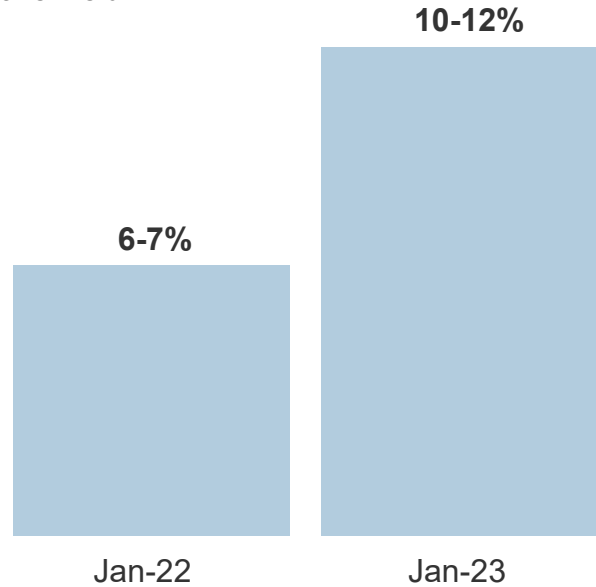
**Lower volatility than
public securities**



Past performance is not indicative of future results. All investments contain risk and may gain or lose value

Themes for private debt and mortgage investors going into 2023

Illustrative Yield



<https://www.hamiltonlane.com/en-us/insight/never-got-fired-for-senior-credit>

Banks losing share

Covenants are stronger

Yields will be strong

Defaults are stable, for now



The Nicola Wealth Private Capital Advantage



1

Scale

**\$3B
AUM**

20



**Private Equity /
Venture Capital**
~\$900M

Private Debt
~\$800M

Mortgages
~\$950M

Infrastructure
\$200M



As at Feb/2023

The Nicola Wealth Private Capital Advantage

2

Products

Breaking down traditional barriers to private capital

Traditional

\$ M
deposit

10+ year
hold

5-10
companies

Nicola Wealth
Private Capital

Low
minimum

Ongoing
liquidity

>100
companies

The Bottom Line

1

Focus on **longer term value**

2

Pressure on equity **valuations**

3

Rising rates helping Fixed Income

4

Infrastructure has the wind at its back



Nicola Wealth Real Estate

Market Outlook 2023

N NICOLA
WEALTH
— REAL ESTATE —

Nicola Wealth Real Estate Webcast, February 2023



\$9.6B

in real estate assets under management (AUM)

324

properties and value add projects across Canada and the U.S.

19M+

square feet

\$1.0B

in assets acquired in the last 12 months

Numbers as of December 31, 2022

Select 2022 Acquisitions



2330 Government Street
Victoria, BC



294 Bernard Avenue
Kelowna, BC



Advanced Self Storage
New Westminster, BC



3751 Fraser Street
Denver, CO



Luma Headwaters
Orlando, FL
Partner: Venterra Realty



845 Avenue G
Dallas, TX
Partner: CanTex Capital



Advanced Industrial Park
Phoenix, AZ
Partner: ViaWest Group

Select 2022 Projects Under Construction



Fifth + Columbia
Vancouver, BC



Advanced Self Storage
Squamish, BC



Red Rocks Self Storage Aurora
Denver, CO



Bernard Block
Kelowna, BC
Partner: Mission Group



North Valley Business Park, Phoenix, AZ
Partner: Hopewell Development



601 Milner, Toronto, ON

Select 2022 Fully Leased Buildings



The Nickel
Vancouver, BC



Northwoods Business Park
North Vancouver, BC



Pinnacle Peak
Commerce Centre
Phoenix, AZ

Nicola Wealth Real Estate's 2022 Snapshot

\$1B In new acquisitions
- Closed 50 deals

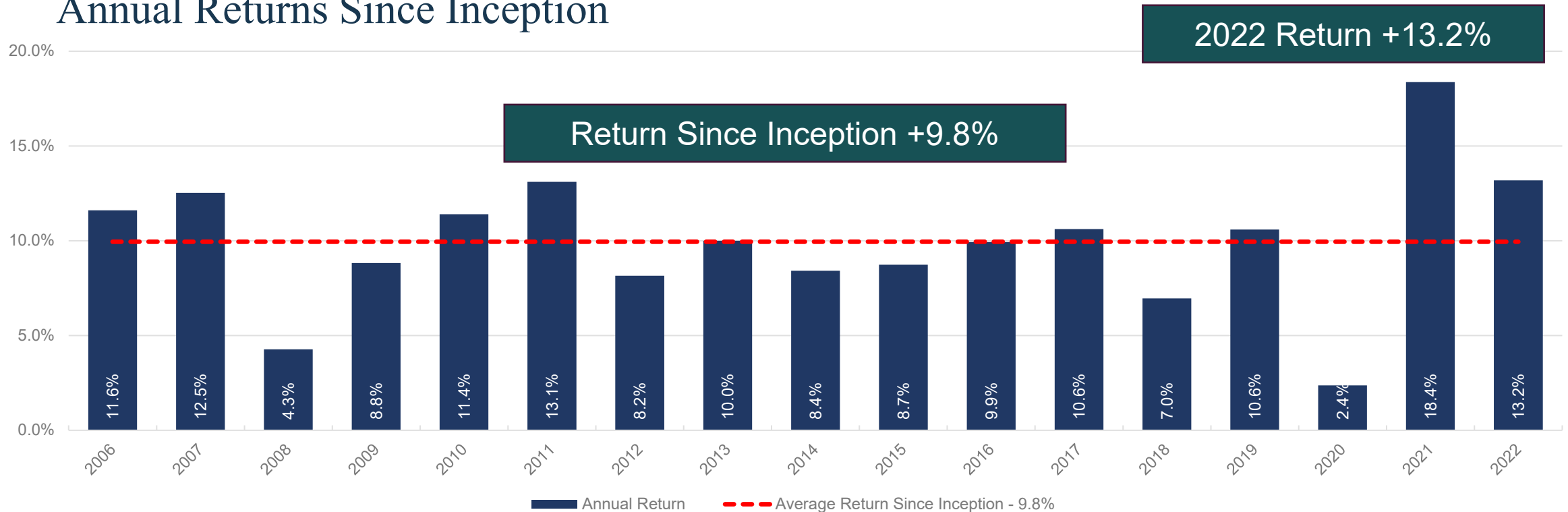
230 Lease deals
- Totaling 1.8M square feet

4M Square feet in development
- Over 20 projects

1,106 New self storage units added
- Now 8 operating locations

Nicola Canadian Real Estate LP

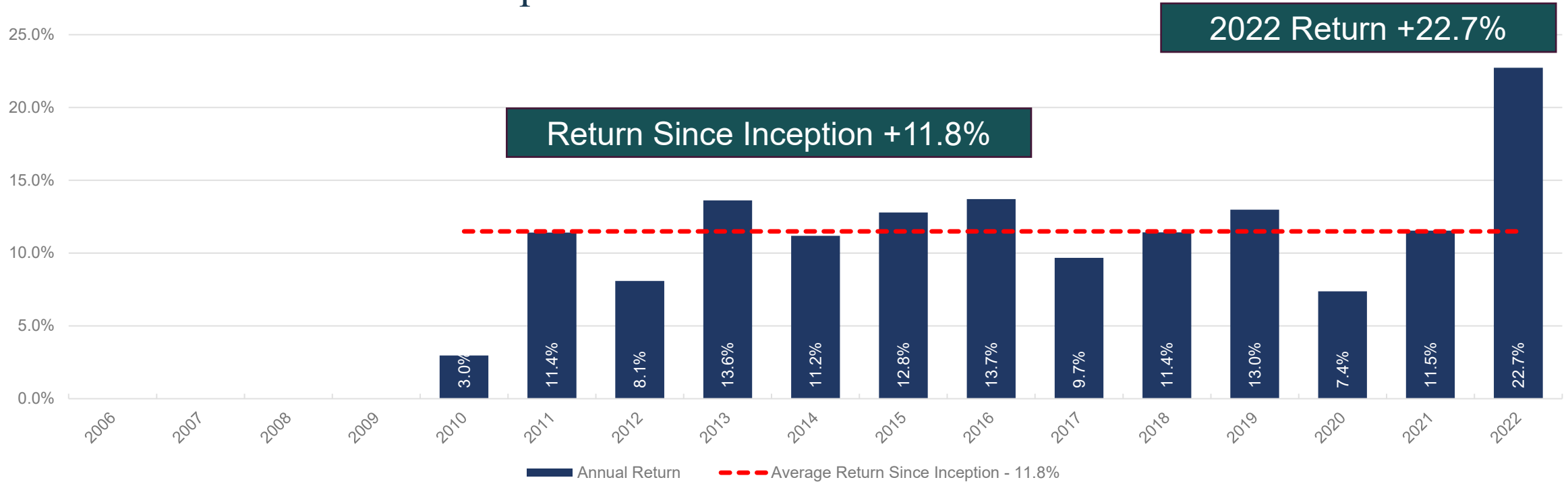
Annual Returns Since Inception



Past performance is not indicative of future results. All investments contain risk and may gain or lose value. All returns are net of fund-level fees and expenses, including management fees and performance fees (if applicable). Please read the Limited Partnership Agreement and disclosure documents for important disclosure information including terms of redemption and limited liquidity. Nicola Wealth Management Ltd. (Nicola Wealth) is registered as a Portfolio Manager, Exempt Market Dealer and Investment Fund Manager with the required provincial securities' commissions. This is not a sale solicitation. This investment is only available for sale to residents of Canada who are accredited investors. Please speak with a Nicola Wealth advisor to discuss if this investment is right for you. Effective January 1, 2019 Nicola Canadian Real Estate LP, Nicola U.S. Real Estate LP, and Nicola Value Add Real Estate LP adopted new mandates and changed names from SPIRE Real Estate LP, SPIRE US LP, SPIRE Value Add LP. Distributions are not guaranteed and may vary in amount and frequency over time. For a complete listing of Nicola Wealth Real Estate portfolios, please visit realestate.nicolawealth.com.

Nicola U.S. Real Estate LP

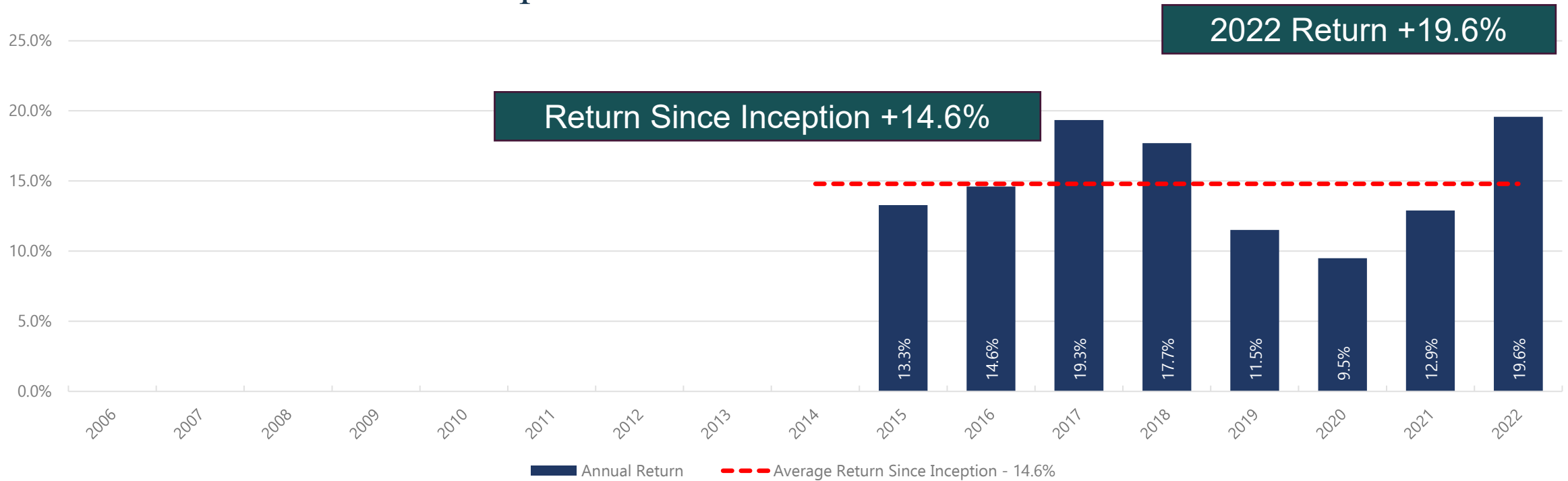
Annual Returns Since Inception



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Nicola Value Add Real Estate LP

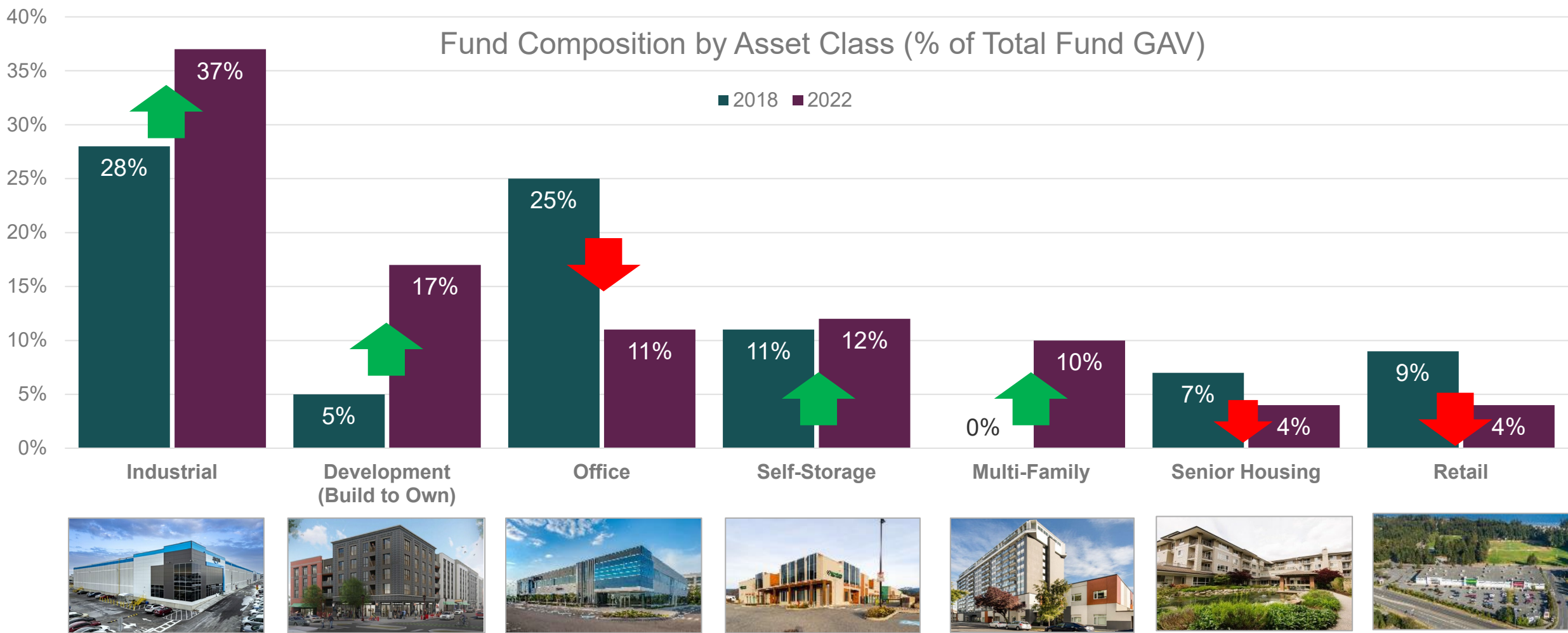
Annual Returns Since Inception



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Nicola Canadian Real Estate LP

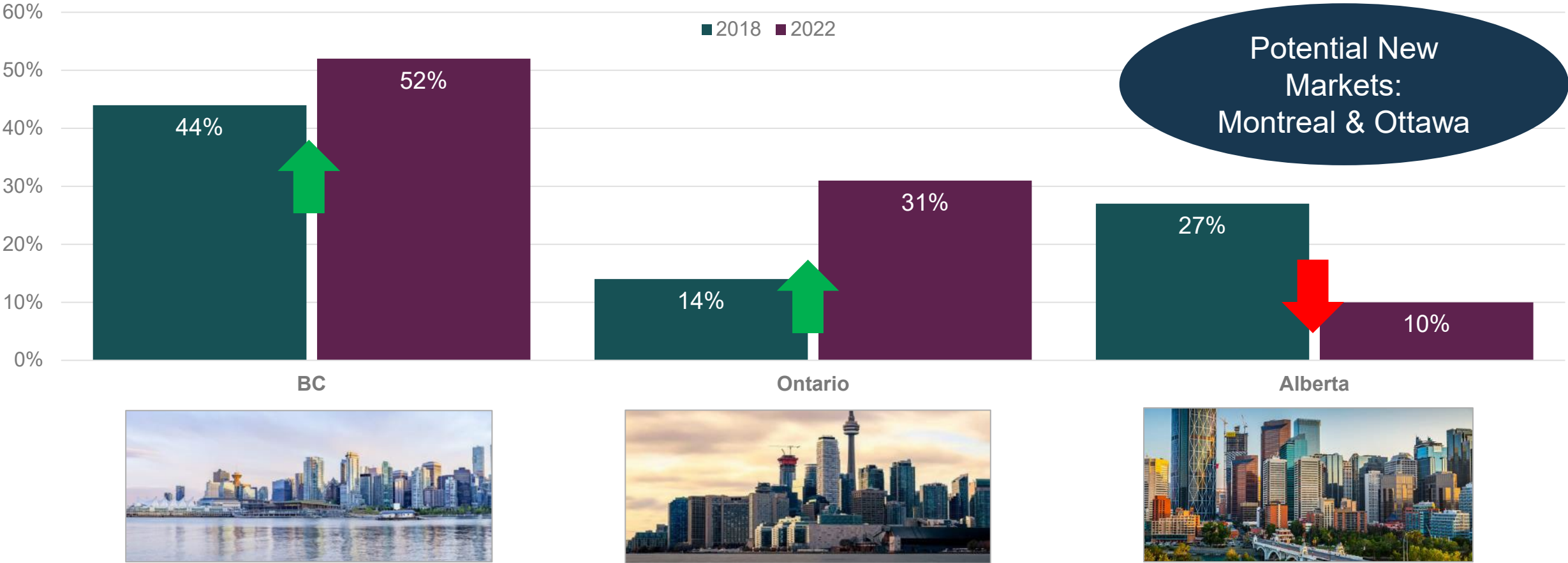
Fund Composition: 2018 to 2022



Nicola Canadian Real Estate LP

Fund Composition: 2018 to 2022

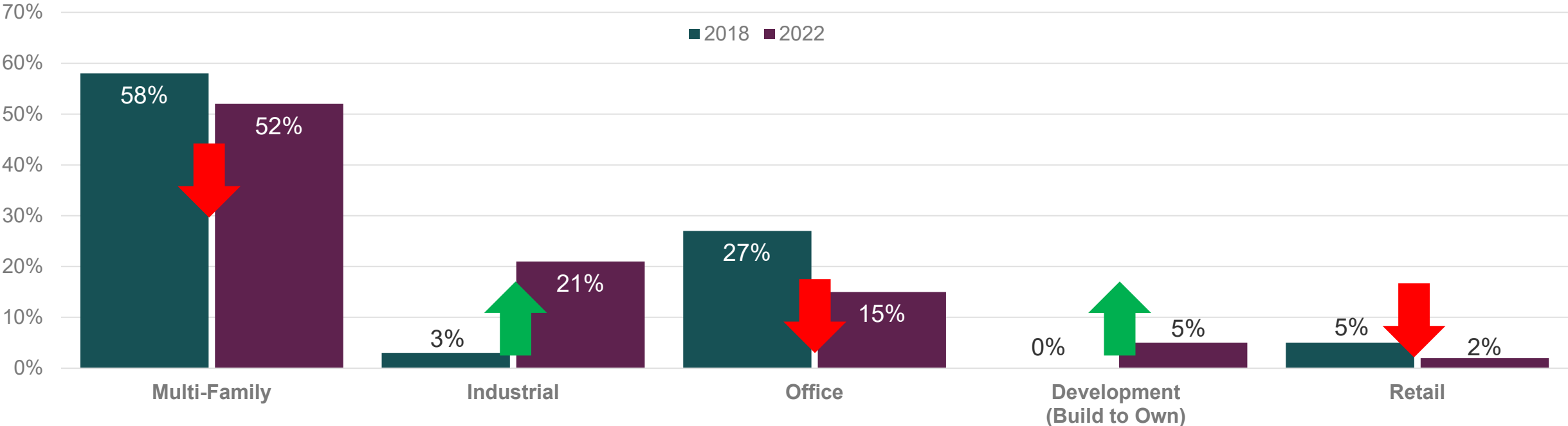
Fund Composition by Geography (% of Total Fund GAV)



Nicola U.S. Real Estate LP

Fund Composition: 2018 to 2022

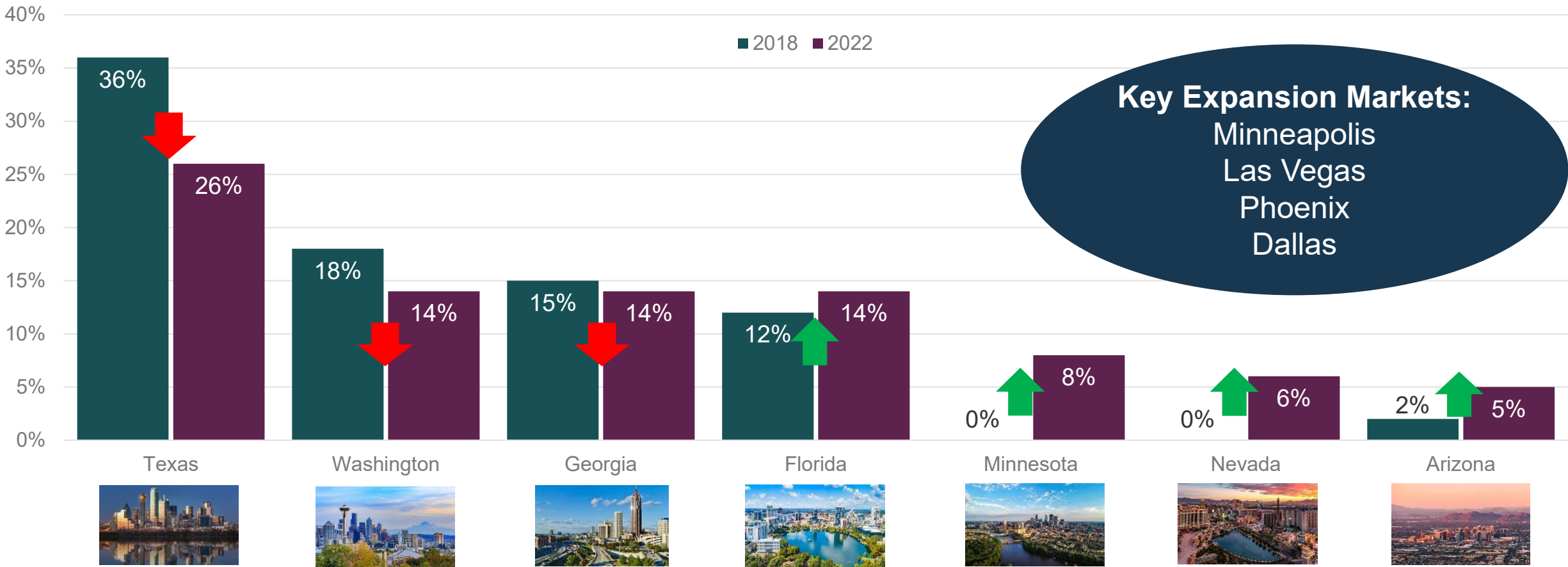
Fund Composition by Asset Class (% of Total Fund GAV)



Nicola U.S. Real Estate LP

Fund Composition: 2018 to 2022

Fund Compositions by Geography (% of Total Fund GAV)



Nicola Wealth Real Estate Team

We have a proprietary in-house real estate team comprised of over 65 people across multiple disciplines

Asset Management



Liz Firer-Gillespie
Vice President



Stephanie Marshall
Director



Dan Quon
Sr. Asset Manager



Jason Penner
Sr. Asset Manager



Colin McBride
Sr. Asset Manager



Peter Harvie
Sr. Asset Manager



Stephanie Loucas
Sr. Asset Manager



Mohit Kahlon
Asset Manager



Vicky Hou
Asset Manager

Development



Josh Anderson
Vice President



Andre Linaksita
Senior Manager



Meaghan Sarazin
Vice President



Lynn Wong
Manager



Roz McQueen
Director



Sveto Zvijerac
Director



Lisa Bernath
Legal Operations Manager



Matthew Middleton
Director

Finance

Insurance

Leasing

Legal

Mortgages

Investments



Mark Hannah
Managing Director



Alex Messina
Vice President



Ron Bastin
Vice President



Matthew Schaeffers
Director



Shaun Blythen
Director



Touraj Manshadi
Manager



Wyatt Rybchinsky
Manager



Justin Pang
Manager

Multi-Family Rental | *The James at Harbour Towers*

ADDRESS

345 Quebec Street, Victoria, BC

ASSET TYPE

Multi-Family Rental

BUILDING SIZE

219 Units

COMPLETE

2020



Multi-Family Rental | *Venterra US Portfolio*

of Properties

78

of Residential Units

21,600

KEY MARKETS

Houston
Dallas-Fort Worth
San Antonio
Atlanta
Orlando
Tampa
Jacksonville
Nashville
Oklahoma City

PARTNER



Industrial | *880 Avonhead Road*

ADDRESS

880 Avonhead Road, Mississauga, ON

ASSET TYPE

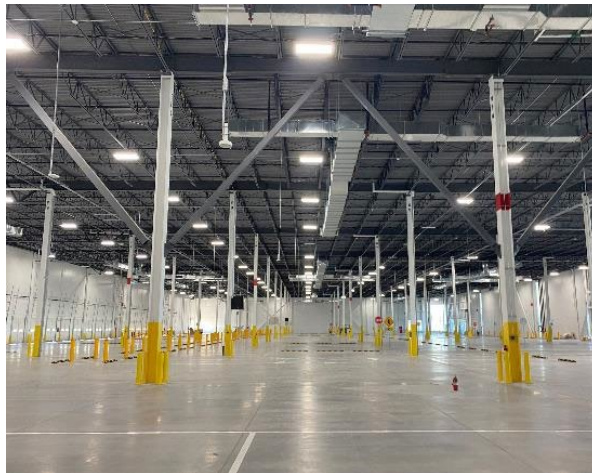
Industrial

BUILDING SIZE

274,447 sf

COMPLETION

2021



Build to Own | *Toronto East Logistics @ 601 Milner*

ADDRESS

601 Milner Avenue, Toronto, ON

ASSET TYPE

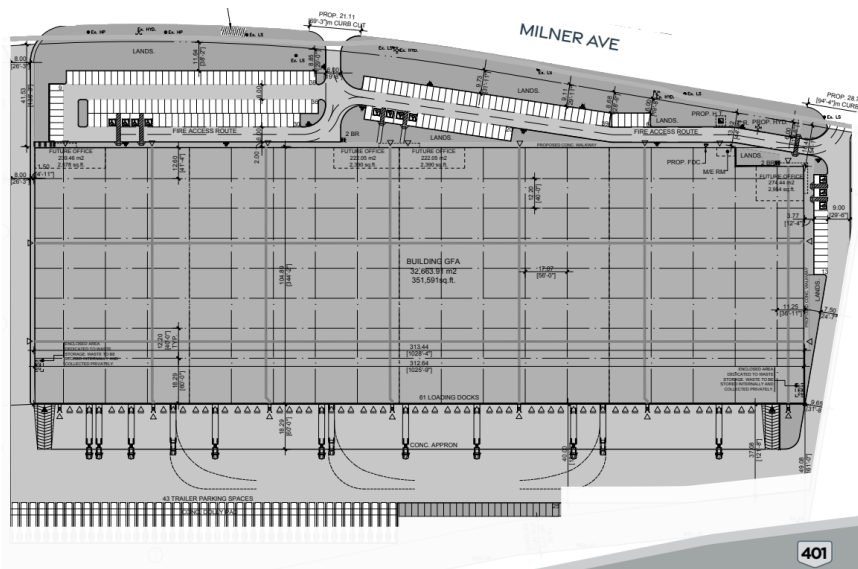
Industrial

BUILDING SIZE

352,000 sf

COMPLETION

2024



Build to Own | *Compass Logistics Center*

ADDRESS

6150 S. Pecos Road, Las Vegas, NV

ASSET TYPE

Industrial

BUILDING SIZE

150,120 sf

COMPLETION

2023



Industrial Outside Storage (IOS) | 3815 Donna Street

ADDRESS

3815 Donna Street, Las Vegas, NV

ASSET TYPE

Industrial Outdoor Storage (IOS)

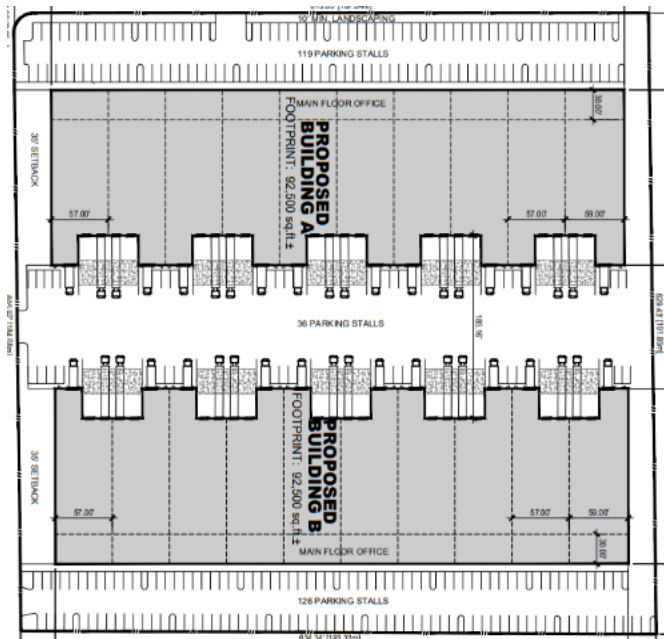
LAND AREA

9.1 acres

YEAR ACQUIRED

2022

FUTURE REDEVELOPMENT PLAN



Small-Bay Industrial | 208-220 Wyecroft Road

ADDRESS

208-220 Wyecroft Road, Oakville, ON

ASSET TYPE

Small-Bay Industrial

RENTABLE AREA/TENANTS

112,179 sf – 33 tenants

YEAR ACQUIRED

2021



Strata/Condo Industrial | *IntraUrban Gateway*

ADDRESS

8360 Ontario Street, Vancouver, BC

ASSET TYPE

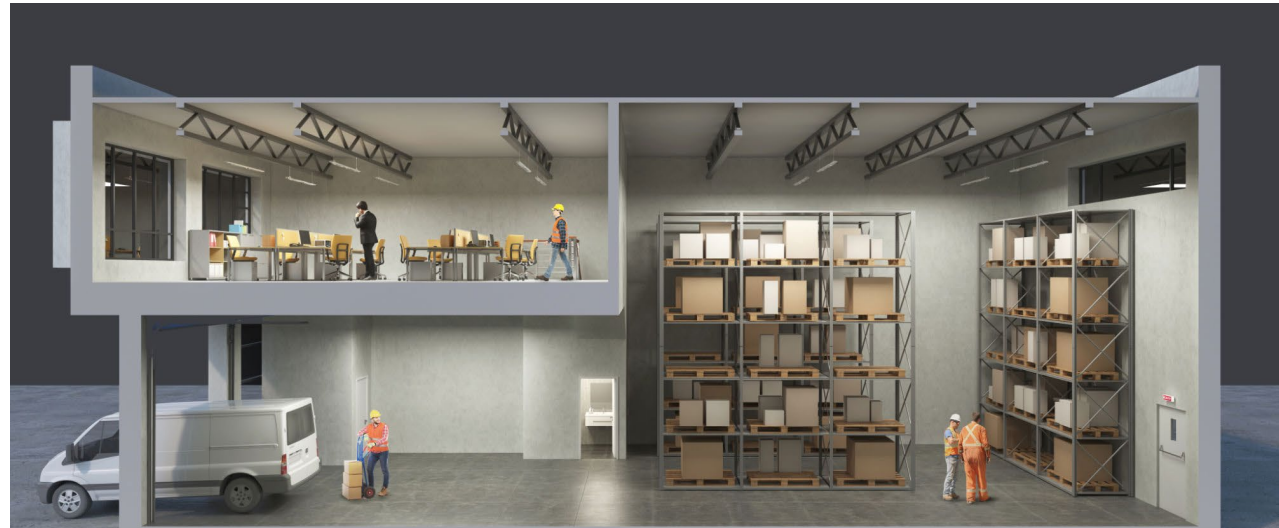
Strata/Condo Industrial

SALEABLE AREA

82,025 sf – 28 units

COMPLETION

2023



Self-Storage | *Squamish Self Storage Phase 1 & 2*

ADDRESS

39480 Queens Way, Squamish, BC

ASSET TYPE

Self-Storage

BUILDING SIZE

Phase 1 – 876 lockers
Phase 2 Under Construction – 676 lockers

ACQUIRED/COMPLETE

Phase 1 – Acquired 2019
Phase 2 – Completion 2023



Covered Land Play | *Northgate Executive Center*

ADDRESS

115-155 NE 100th Street, Seattle, WA

ASSET TYPE

Office – Covered Land Play

LAND AREA

6.7 acres

BUILDING SIZE

200,558 sf

YEAR ACQUIRED

2021



Creative Office | *5th & Columbia*

ADDRESS

2055 Columbia Street, Vancouver, BC

ASSET TYPE

Creative Office

BUILDING SIZE

25,000 sf

COMPLETION

2023



Question & Answer



David Sung, CFP, CLU, CHS, CIM
President
Client Relationship Manager



John Nicola, CFP, CLU, CHFC
Chairman &
Chief Executive Officer



Mark Hannah
Managing Director
Nicola Wealth Real Estate



Bijal Patel, MBA, LLB
Chief Financial Officer &
Head of Private Capital



Ben Jang, CAIA, CIM, DMS
Portfolio Manager
Public Assets





Thank You

N NICOLA
WEALTH

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The Nicola Wealth inclusion policy is based on clients' weights at calendar month end. The composite returns are asset-weighted based upon ending monthly market value. The Nicola Core mandate may change throughout time. Additional information regarding policies for calculating and reporting returns is available upon request. The composite returns presented represent past performance and is not a reliable indicator of future results, which may vary.

Morningstar Canadian Neutral Balanced is a proprietary index developed by Morningstar Canada based on the CIFSC Fund categories (cifsc.org).

The S&P/TSX Capped REIT ETF seeks to provide long-term capital growth by replicating the performance of the S&P/TSX Capped REIT Index, net of expenses. The Index comprises securities of Canadian real estate investment trusts ("REITs") listed on the TSX, selected by S&P using its industrial classifications and guidelines for evaluating issuer capitalization, liquidity and fundamentals. iShares® ETFs are managed by BlackRock Asset Management Canada Limited ("BlackRock Canada"). Commissions, trailing commissions, management fees and expenses all may be associated with investing in iShares Funds. The indicated rates of return for the S&P/TSX Capped REIT ETF are the historical annual compounded total returns including changes in unit value and reinvestment of all distributions and do not take into account sales, redemption, distribution or operational charges or income taxes payable by any securityholder that would have reduced returns.

Comparisons of the historical performance of Nicola Wealth funds or models to the historical performance of indexes, mutual funds or other investment vehicles should only be undertaken with consideration of the differences that exist between the underlying investments that comprise the compared investment vehicles. Indexes may be primarily composed of a single asset type/asset class (i.e. 100% equities or 100% bonds) whereas Nicola Wealth funds may or may not contain a combination of exchange-traded equities, marketable bonds, private investments, other alternative investment classes and exempt products. When making any comparison of historical performance, these differences and their impact on the performance of each comparable should be taken into account.

Hypothetical performance results have many inherent limitations, only some of which are described below. No representation is being made that any account will or is likely to produce profits or losses similar to those shown. In fact, there are frequent sharp differences between hypothetical performance results and the actual results subsequently produced by any particular trading approach (continued on next).

- 1) Hypothetical performance results are limited in that they are generally prepared with the benefit of hindsight.
- 2) Hypothetical trading does not involve financial risk and no hypothetical trading record can completely account for the impact of financial risk in actual trading. The ability to withstand losses or adhere to a particular trading program in spite of trading losses are material points which can adversely affect actual trading results.
- 3) Numerous other limiting factors related to the behavior and performance of markets in general and/or to the implementation of any specific trading approach cannot be fully accounted for in the preparation of hypothetical performance results all of which can adversely affect actual trading results when compared to the hypothetical model.

Slide 25

Fund Short Name on Slide "Canadian Equity Income" = Legal Fund Name "Nicola Canadian Equity Income Fund"

Fund Short Name on Slide "Canadian Tactical" = Legal Fund Name "Nicola Canadian Tactical High Income Fund"

Fund Short Name on Slide "US Tactical" = Legal Fund Name "Nicola US Tactical High Income Fund"

Fund Short Name on Slide "US Equity Income" = Legal Fund Name "Nicola US Equity Income Fund (USD)"

Fund Short Name on Slide "Bond Fund" = Legal Fund Name "Nicola Bond Fund"

Fund Short Name on Slide "High Yield Bonds" = Legal Fund Name "Nicola High Yield Bond Fund"

Fund Short Name on Slide "Preferred Share" = Legal Fund Name "Nicola Preferred Share Fund"

Fund Short Name on Slide "Core" = Legal Fund Name "Nicola Core Portfolio Fund"

Fund Short Name on Slide "Global Real Estate" = Legal Fund Name "Nicola Global Real Estate Fund"

Fund Short Name on Slide "International Equity" = Legal Fund Name "Nicola International Leaders Fund"

Fund Short Name on Slide "Sustainable Innovation" = Legal Fund Name "Nicola Sustainable Innovation Fund"

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