Nicola Private Equity Limited Partnership Quarterly Report | Q2 2025

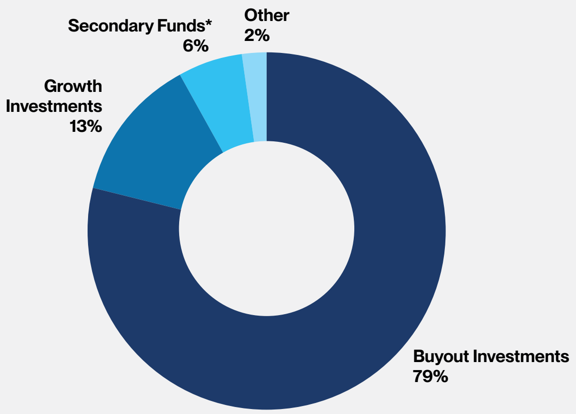
Objective

The primary objective of the Nicola Private Equity Limited Partnership ("Nicola PELP" or the "Fund") is to generate long-term capital growth by investing in a diversified portfolio of private equity ("PE") investments. The Fund aims to achieve this objective by combining co-investments and investments in funds, focusing on value creation over the long-term.

Strategy

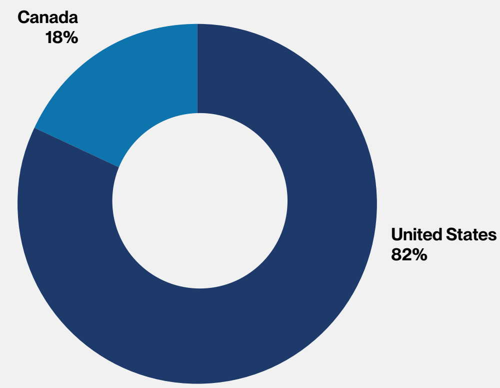
Nicola PELP's investment strategy is primarily buyout investments, which means investing in control stakes in cash-flowing companies, focusing on well-established, resilient businesses. The Fund aims to generate strong long-term returns by partnering with PE funds with established track-records and by co-investing in attractive direct PE opportunities alongside these partners. The Fund also selectively invests in PE secondary and growth equity opportunities The Fund aims to diversify its investments across sectors, geographic regions, company sizes, and vintages.

INVESTMENTS BY STRATEGY
as of June 30, 2025



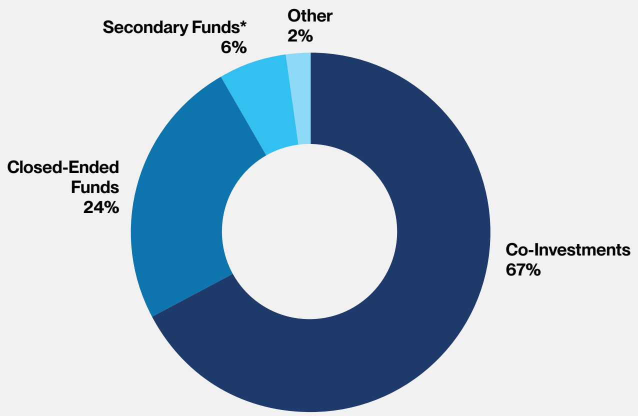
*Secondary includes LP Baskets and Secondary Closed-Ended Funds

INVESTMENTS BY GEOGRAPHY
as of June 30, 2025**



** Split by currency of the investment

INVESTMENTS BY TYPE
as of June 30, 2025



*Secondary includes LP Baskets and Secondary Closed-Ended Funds
May not add to 100% due to rounding

Returns for the period ENDING as of June 30, 2025

	USD	CAD
QTD	**2.9%**	**-0.7%**
YTD	**5.6%**	**2.0%**
1 year	**7.0%**	**6.8%**
3 year	**–**	**6.8%**
5 year	**–**	**11.6%**
10 year	**–**	**9.5%**
Since inception*	**6.9%**	**8.7%**

* May 31, 2012 for CAD series. June 28, 2024 for USD series.

Performance

Given PE is a long-term asset class, the Fund is focused on maximizing returns over a 5+ year investing horizon. Over the last 5 and 10 years, the Fund has delivered annualized returns of +11.6% and +9.5%, respectively (both in CAD).

In Q2 2025, the Fund returned -0.7% (CAD) / +2.9% (USD), bringing LTM returns to +6.8% (CAD) / +7.0% (USD). In-country returns were strong but FX had a negative impact of -4.3% for the CAD class over the quarter.

Recent performance was driven by valuation increases in the following:

- **Project Azalea:** A leading provider of comprehensive environmental solutions, specializing in waste management services based in the Southeastern U.S. The Company has achieved strong revenue and EBITDA so far this year driven by robust organic growth.
- **Project Avon:** A US-based healthcare services company that delivered strong performance in 2024, which has continued into 2025. Record admissions contributed to all-time high revenues and cash flow.

Performance was also impacted by a write-down in the following:

- **Project Air:** An HVAC and electrical services company operating in the Southeast U.S. While the company has performed well year-to-date, the decline in valuation was primarily driven by a contraction in valuation multiples of public market comparables.

Total Fund net assets were $1.2B as at quarter-end, compared to $1.0B a year ago (21% growth in net assets)

New Investments & Realizations

During the second quarter of 2025, Nicola PELP deployed $42M, including $34M in co-investments. In Q2 2024, we received 33 co-investment opportunities, evaluated 15, and closed on two opportunities.

New direct co-investments funded during the quarter are highlighted below.

- **Project Aspen:** A market-leading population management software platform designed for safety net providers in the US healthcare system. The company is well-positioned to be the nexus of connectivity between providers and payers, strengthening care coordination across the Medicaid ecosystem.
- **Project Chef:** A merger of two complementary, leading businesses that provide operations and kitchen management software for multi-location franchised restaurant chains. There is strong industry logic for the combination with significant synergies.

Recent Developments

The Market

Entering 2025, many private equity investors held high hopes for a recovery in deal flow and investment performance. Optimism stemmed from a stabilizing interest rate environment, growing dry powder reserves, and a sense that the worst of the 2022–2023 correction had passed. However, the unexpected impact of Trump-era policy announcements in Q1 and Q2 2025, including heightened trade tensions, reintroduced macroeconomic uncertainty. These developments created doubts over what was expected to be a comeback year.

Despite a resilient economy and improving financing conditions, the private equity market continues to be negatively impacted by the persistent slowdown in exits. Global exit value continues to be ~50% of the levels in 2021/2022, with IPO markets especially constrained. While strategic buyers have cautiously re-entered the market, sponsor-to-sponsor transactions remain suppressed. Widening valuation gap between buyers and sellers combined with mounting geopolitical risk is making PE buyers more selective, further stalling the rebound.

However, it would be a mistake to interpret these short-term headwinds as a structural decline in the PE asset class. PE is a patient, long-term asset class and has historically outperformed public markets by 300 to 500 basis points over rolling 10-year periods[1]. Even in turbulent times, active ownership and alignment of incentives underpin the long-term value creation that PE has delivered over multiple cycles.

The Fund

Despite the renewed macro headwinds that have emerged in early 2025, particularly surrounding U.S. trade tensions, the Fund remains structurally well-positioned. Our portfolio's exposure to tariff-sensitive sectors is manageable, with less than 7% of NAV directly impacted by current or proposed trade policies. Most of our investments are in essential service providers and technology-driven businesses with low tariff sensitivity and strong pricing power.

However, the U.S. dollar's depreciation (down 5.3% year-to-date versus the Canadian dollar) has impacted returns for the Fund's CAD share class, creating a drag on investment performance for this share class. While FX volatility may persist in the near term, our analysis of Nicola PELP's CAD and USD class suggests these effects tend to neutralize over the long-term (e.g. FX impact of only ~100 bps for the Fund's 5-year annualized return). Nicola PELP's USD class, which started one-year ago on June 30, 2024, will report less FX volatility compared to the CAD class, as it better reflects the underlying currency profile of the fund (currently ~80% of the Fund is in US denominated investments).

We believe this environment offers compelling investment opportunities. With many private equity GPs and LPs facing capital constraints and secondary market discounts widening, our Fund's ability to remain an active investor allows us to benefit from more favorable entry valuations and increased negotiating leverage when forming new partnerships.

The Fund has maintained a high level of investment activity over the past 12 months. We committed more than $284 million across 13 new direct investments and 4 new fund investments. This capital was largely deployed into resilient, scalable businesses across technology, healthcare, and services.

A core tenet of private equity investing is vintage diversification. We believe the 2024–2025 vintages will likely prove attractive over time as certain historical periods of lower activity have been followed with the best-performing PE investments (similar to the post-GFC 2009-2011 PE vintages). As we continue to scale, our selective yet steady pace of deployment is intended to help capture this market window without compromising on quality.

We are also expanding the geographic footprint of the Fund to further globally diversify our portfolio. Beyond our existing U.S. and Canada exposure, we are actively pursuing relationships with Pan-European and Pan-Asian PE partners. These markets offer compelling return opportunities, differentiated deal flow, and diversification benefits. As always, our approach in these new markets is partnership-centric: build long-term alignment with who we believe are top-tier PE partners, then selectively co-invest in high-conviction direct opportunities alongside them.

The strength of our platform also lies in our people. Over the past 12 months, the Nicola Wealth PE & VC team has added four new investment professionals with backgrounds at leading institutions such as OMERS, Dawson Partners, Northleaf, and BMO Capital Markets. We plan to add another to our VC/Growth Equity team by year-end. These additions continue to expand our capacity for origination, diligence, and portfolio support across both direct and fund investments.

[1] *McKinsey 2025 Global Private Markets Report. Dawson White Paper: Why Private Equity Wins.*

Top 10 Holdings, June 2025

Investment	%AUM	Strategy	Description
FLC Direct Fund	6.5	Fund	An SMA partnership with Fisher Lynch which focuses on pursuing buyout opportunities in the United States
Webster Equity Partners Fund V	5.8	Fund	An investment in Webster's Fund V which specializes in pursuing buyout opportunities in the US healthcare space
FLC Co-Investment Fund V	3.9	Fund	An investment in Fisher Lynch's Fund V which focuses on pursuing buyout opportunities in the United States
Project Avon	3.5	Co-Investment	An investment in a US healthcare services company
Micross Components	3.5	Co-Investment	A leading global provider of specialty electronic components, servicing high-reliability markets
Tailwind Concessions	3.2	Co-Investment	An airport concessionaire in food, beverage, and retail
Project Minerva	2.7	Co-Investment	A a global leading network of premium international schools
Project Uno	2.7	Co-Investment	A leading national provider of insurance brokerage and consulting services
Southeast Mechanical	2.7	Co-Investment	An HVAC (Heating, ventilation, and air conditioning) services business headquartered in North Carolina
Convex Insurance	2.5	Co-Investment	A specialty insurer and reinsurer