Nicola U.S. Mortgage Fund Quarterly Report | Q2 2025

NICOLA WEALTH PRIVATE CAPITAL

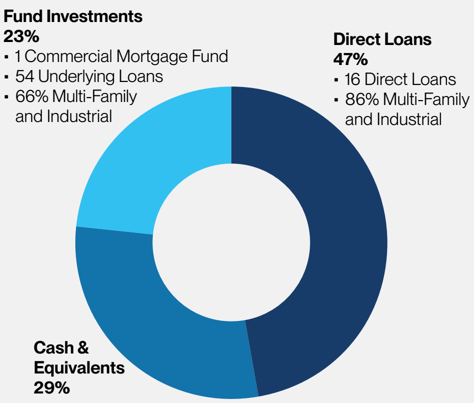
Objective

The objective of the Nicola U.S. Mortgage Fund ("Nicola USMF" or the "Fund") is to provide unit holders with a stable level of interest income while also seeking to preserve capital.

Strategy

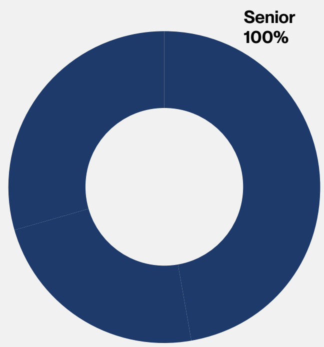
The Fund invests in loans and/or other securities invested in loans, either directly or indirectly, ultimately secured by mortgages on real property located in the United States. The Fund may also invest in cash, cash equivalents, or other debt securities from time to time. The Fund may employ leverage strategies to enhance yield and may use interest rate swaps or other derivatives to reduce interest rate volatility. The Fund may currency hedge as appropriate with the use of currency forwards.

FUND ASSETS as of June 30, 2025*



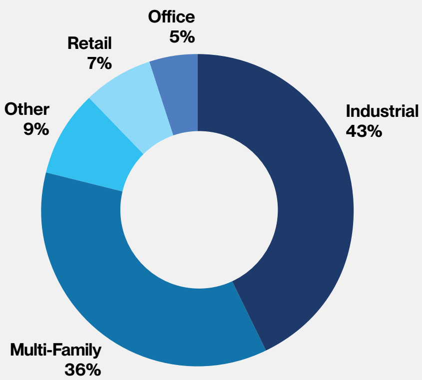
** May not add to 100% due to rounding*

INVESTMENTS BY PRIORITY as of June 30, 2025



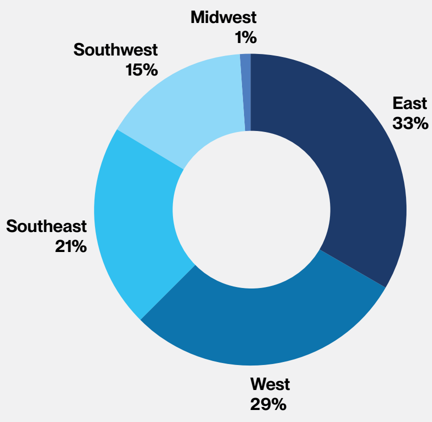
Target Property Type - Primary	**Multi-Family, Industrial**
Target Property Type - Secondary	**Grocery Anchored Retail, Office, Mixed-Use, Student Housing**
Target Geographies	**Top 35 Metropolitan Statistical Areas in US**
Target Loan Size	**Up to $50 Million**
Typical Loan Term	**36-60 Months**

INVESTMENTS BY PROPERTY TYPE as of June 30, 2025*



** Excludes cash & equivalents. May not add to 100% due to rounding*

INVESTMENTS BY GEOGRAPHY as of June 30, 2025*



** Excludes cash & equivalents. May not add to 100% due to rounding*

Returns for the period ENDING as of June 30, 2025*

QTD	**0.9%**
YTD	**3.0%**
1 year	**4.8%**
3 year	**3.8%**
5 year	**-**
10 year	**-**
Since inception**	**3.6%**

**Performance numbers are for the US $ Series*
*** April 30, 2022*

Performance

Nicola USMF returned 0.9% during Q2 2025, bringing the trailing twelve-month return to 4.8%. Recent performance has been driven by:

1. Fund investment with Ares Real Estate Enhanced Income Fund LP.
2. 16 direct loans, accounting for 67% of total investments.
3. Cash held in a high-interest savings account.
4. An unrealized markdown in the direct loans, following valuation adjustments, resulted in a -0.21% impact in June. However, we are not taking any impairments. Excluding the valuation effect, the Fund would have returned +0.35% in June.

The Fund held 29% in cash & equivalents at quarter end.

The Fund uses leverage to enhance returns targeting 2.0x and increased its leverage facility with a major U.S. Bank during the quarter, offering accretive terms to the Fund. Current leverage is 1.14x.

Total Fund Assets Under Management ("AUM") reached US$138.0M at quarter-end and has grown 20.0% over the last 12 months.

New Investments & Realizations

Nicola USMF reviewed 18 direct loan opportunities in Q2 2025, ultimately deploying a gross total of US$25.3M across 2 new investments and subsequent advances from prior loan commitments. Select investments made during the quarter include:

Property Type: Multi-Family
Location: Richmond, Virginia
Gross Loan Commitment (USD): $15,350,000

Our Thoughts On:

The Market

According to CBRE's Q1 2025 U.S. Capital Markets report, commercial real estate investment volumes reached USD $88.0B in Q1 2025, increasing by 14.0% year-over-year. This follows a relatively growth-oriented commercial real estate market in 2024, which saw steadily rising quarterly investment volumes.

Multi-Family and Industrial assets continued to lead asset class investment volumes in Q1 2025, while Retail asset demand remained relatively flat and Office asset demand fell quarter-over-quarter. The top performing markets by investment volume as of Q1 2025 were New York, Los Angeles, and Dallas, while Seattle exhibited the highest annual growth of 114.4%. Lastly, global capital inflows to the U.S. commercial real estate market reached USD $4.0B in Q1 2025, increasing by 7.0% year-over-year, likely driven by international demand for yield as the U.S. federal funds rate currently offers a positive spread on Canadian and European policy rates.

CBRE's Lending Momentum Index rose by 13.0% quarterly and 90.0% annually in Q1 2025, underscored by increased financing volumes on loans originated or brokered by CBRE. Moreover, CBRE reports credit spread compression of 25 to 30 basis points on conventional, fixed-rate commercial mortgages since Q1 2024. This aligns with our recent experience in the U.S. mortgage investment market, as rising competition for quality investment opportunities has driven risk tolerance expansion and yield compression.

The U.S. Federal Reserve (the "Fed") ended Q2 2025 by maintaining the overnight rate in the 4.25%-4.50% range, noting in its June meeting that uncertainty around the economic outlook has diminished but remains elevated. The Fed maintained its forecast for two rate cuts this year, as policymakers work to balance the risks of rising inflation and slowing economic growth amid ongoing trade policy pressures.

Our Fund

Nicola USMF targets gross loan sizes of US$10M - $30M, with leverage targeting 2.0x (currently 1.14x) applied to enhance yields. The Fund currently holds 16 direct loan investments, totalling 47% of AUM, and 1 fund investment. The fund investment remains the largest holding of the Fund at 23% of AUM, down from 26% in Q1 2025.

We continue to monitor individual mortgage investments made through our SMA relationship, along with the underlying mortgage investments in our external fund investment. Our focus remains to target direct loan investments with healthy property-level metrics in markets displaying strong underlying fundamentals. With this approach, we believe the current market provides a compelling opportunity to lend against more conservative asset valuations with defensive characteristics while seeking attractive risk-adjusted returns.

Top Holdings

Investment	%AUM	Description
Fund Investment	23.4	Open ended fund with a portfolio of loans secured by mortgages over income producing commercial real estate located in the United States
Direct Loan	4.5	Senior ranking mortgage loan over a retail property in Massachusetts
Direct Loan	4.4	Senior ranking mortgage loan over an industrial property in New Jersey
Direct Loan	4.0	Senior ranking mortgage loan over a multi-family property in Washington
Direct Loan	3.7	Senior ranking mortgage loan over a multi-family property in Texas
Direct Loan	3.2	Senior ranking mortgage loan over a multi-family property in North Carolina
Direct Loan	3.1	Senior ranking mortgage loan over an industrial property in Florida
Direct Loan	3.0	Senior ranking mortgage loan over an industrial property in New York
Direct Loan	2.9	Senior ranking mortgage loan over an industrial property in New Jersey
Direct Loan	2.8	Senior ranking mortgage loan over a multi-family property in Virginia

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