Nicola Canadian Mortgage Fund
Quarterly Report | Q2 2025

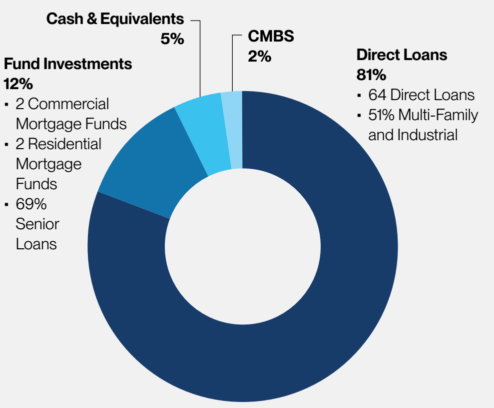
Objective

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

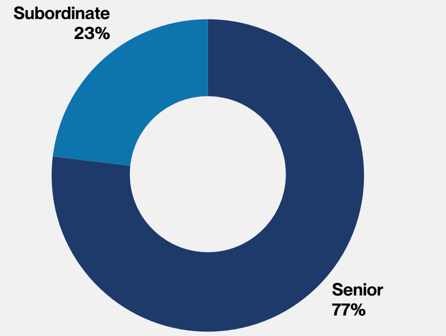
Strategy

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 Canada. 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.

FUND ASSETS as of June 30, 2025



FUND BY PRIORITY as of June 30, 2025*



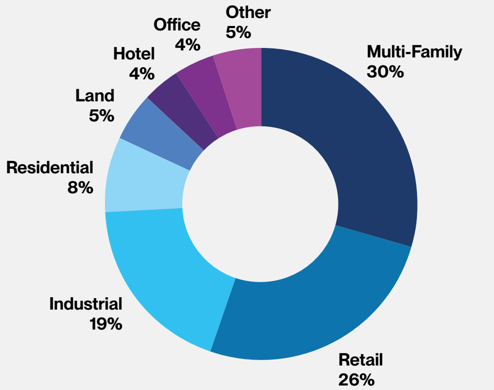
* Excludes cash & equivalents

Fund Metrics

Weighted Avg. LTV	68.2%
Weighted Avg. DSCR*	1.08x
Avg. Loan Size (Millions)	$15.0
Term to Maturity (Months)	13.3
Number of Direct Loans	64
Fixed/Floating	39% / 61%

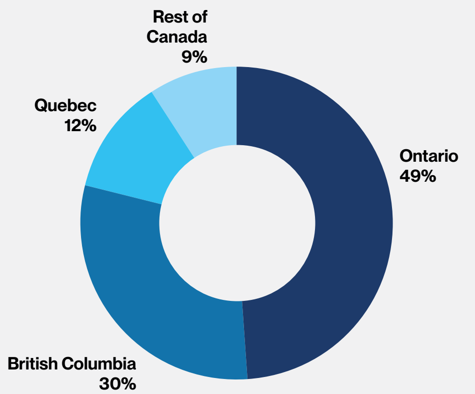
*Stabilized DSCR for direct loans, excludes fund investments and CMBS

FUND BY PROPERTY TYPE as of June 30, 2025*



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

FUND BY GEOGRAPHY as of June 30, 2025*



* Excludes cash & equivalents

Returns for the period ENDING as of June 30, 2025

QTD	1.6%
YTD	3.5%
1 year	7.7%
3 year	7.7%
5 year	7.1%
10 year	6.1%
Since inception*	6.2%

* November 2009

Performance

Nicola CMF returned 1.6% during Q2 2025, bringing the trailing twelve-month return to 7.7%. Recent performance has been driven by:

1. Interest income from the Fund's direct loan portfolio.
2. Our 61% allocation to floating rate loans with built-in interest rate floors, typically priced over the Prime Rate of major Canadian Banks, has offered some downside protection, helping to preserve the Fund's return against a volatile interest rate environment.

The cash & equivalents balance decreased to 4.9% at quarter end, down from 8.8% in Q1 2025.

The Fund has generated a 7.7% net return to investors over the last twelve months, exceeding the 6.0%-7.0% target full-cycle return.

Total Fund Assets Under Management ("AUM") is $1.09B at quarter-end and has grown 3.2% over the last 12 months.

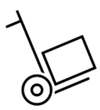
New Investments and Realizations

Nicola CMF reviewed 36 new loan opportunities in Q2 2025, ultimately deploying C$177M across 17 new investments, as well as subsequent advances from prior commitments, resulting in the most active quarter since inception. Select investments made during the quarter include:

Multi-Family

$14,500,000
GREATER MONTREAL AREA
QUEBEC
CAD

Industrial



$14,500,000
GREATER VANCOUVER AREA
BRITISH COLUMBIA
CAD

Retail

$16,000,000
GREATER TORONTO AREA
ONTARIO
CAD

Our Thoughts On:

The Market

Following the relative underperformance of the Canadian commercial real estate market in 2024, total investment volumes reached $10.3B in Q1 2025, representing a 17.1% quarterly decrease from Q4 2024, as per CBRE's Q1 2025 Canada Investment Overview. Despite this, annual growth as of Q1 2025 reached 19.8% year-over-year, as the impact of declining interest rates offset overall economic uncertainty.

The industrial asset class recorded the highest transaction volume at $2.9B in Q1 2025. There was also a regional flight to quality, as Toronto, Vancouver, Montreal, and Edmonton posted the nation's highest market transaction figures last quarter. Lastly, global capital flows into Canadian real estate cooled in early 2025 - maintaining 2024 trends - as global economic uncertainty from ongoing trade negotiations and geopolitical conflicts, as well as policy uncertainty surrounding the Canadian federal election hampered international investment demand.

While the uncertainty around global/domestic policy and economics, remains to be seen, there is cautious optimism around a stabilization in the Canadian real estate market throughout 2025 and 2026, as domestic economic trends justify policy shifts toward growth and an improving business landscape. We continue to observe heightened competition from lenders for quality investment opportunities as dry powder and portfolio rebalancing have driven the pursuit for yield.

The Bank of Canada has maintained its policy interest rate at 2.75% since the 25 basis point reduction in March 2025, following 225 basis points of consecutive rate cuts since the beginning of 2024, which saw inflation settle within the Bank's target range.

Major Canadian banks are forecasting neutral to dovish policy rate actions throughout 2025 and 2026, projecting a policy rate range between 2.25% and 2.75% throughout 2025 and 2026. We expect strategic shifts in our investment criteria as the yield curve evolves and are evaluating current investment opportunities with these trends in mind.

Our Fund

Nicola CMF targets loan sizes ranging from $10M - $30M and holds 64 direct loan positions (81% of AUM) and 4 fund investments (12% of AUM). The portfolio's largest direct loan accounts for 3.3% of AUM.

The Fund remains committed to a full-cycle lending strategy, even amidst an unstable economic backdrop. We continue to prioritize funding loans secured by core property types located in major Canadian markets, with an emphasis on monitoring property-level metrics across the existing loan portfolio. This defensive approach has enabled the Fund to maintain resilience in a volatile credit environment.

Top Investments

Investment	%AUM	Description
Fund Investment	4.6	Open ended fund with a portfolio of loans secured by residential mortgages located in Ontario
Fund Investment	3.5	Open ended fund with a portfolio of loans secured by mortgages over income producing commercial real estate located in Canada
Direct Loan	3.3	Senior ranking mortgage loan over a retail property in Ontario
Direct Loan	3.2	Senior ranking mortgage loan over a retail property in British Columbia
Direct Loan	2.9	Senior ranking mortgage loan over a retail property in British Columbia
Direct Loan	2.8	Senior ranking mortgage loan over a hotel property in British Columbia
Direct Loan	2.8	Senior ranking mortgage loan over an industrial zoned development site in British Columbia
Direct Loan	2.8	Senior ranking mortgage loan over a retail property in British Columbia
Direct Loan	2.7	Subordinate ranking mortgage loan over a retail property in Ontario
Direct Loan	2.6	Senior ranking mortgage loan over an industrial property in the Prairies

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