NICOLA WEALTH
PUBLIC ASSETS

Nicola Bond Fund
Quarterly Report | Q3 2025

Overview

The Nicola Bond Fund offers a risk-aware approach to fixed-income investing – designed to generate consistent income while preserving capital. Actively managed with a flexible, long/short strategy, the Fund invests across high-quality corporate, government, and other fixed-income securities in North America.

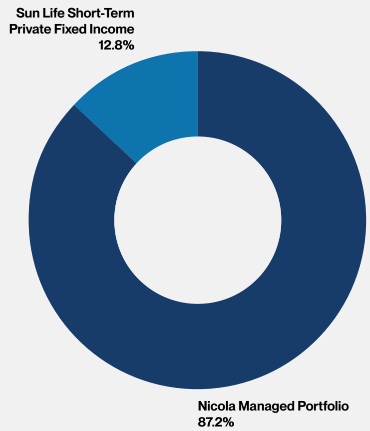
Highlights

Consistent income – The Fund aims to generate steady cash flow through fixed income investments.

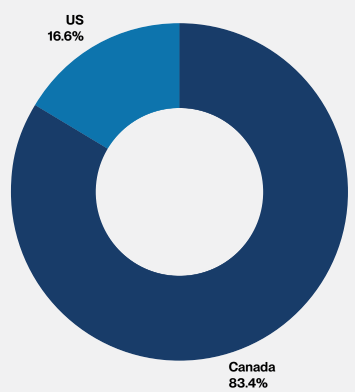
Capital preservation –The manager takes a conservative investment approach focused on managing interest rate, credit, and downside risk.

Disciplined and diverse – The Fund invests in corporate, government, and other fixed income securities within North American markets. The strategy can use leverage and derivatives for both risk management and return generation.

HOLDINGS BY ASSET MIX as of September 30, 2025



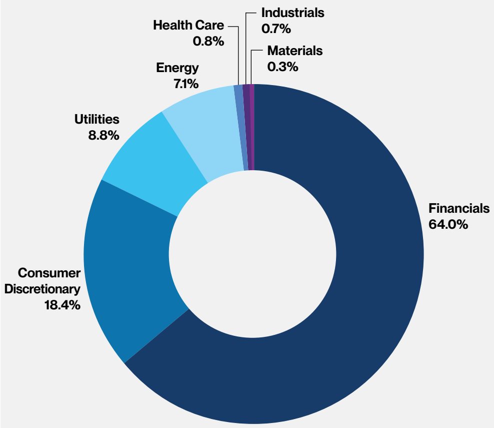
HOLDINGS BY GEOGRAPHY as of September 30, 2025



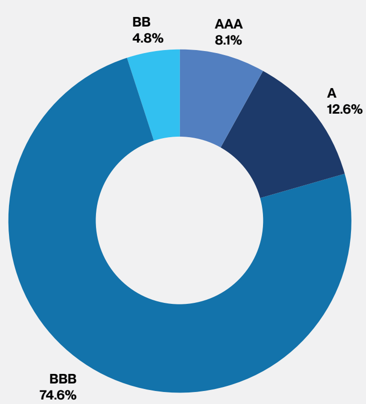
Bond Characteristics

Gross Yield[1]	4.1%
Average Term to Maturity	6.9yrs
Average Credit Rating	BBB+
Duration[2]	4.4yrs
Number of Holdings	152

NICOLA MANAGED PORTFOLIO BY SECTOR as of September 30, 2025



NICOLA MANAGED PORTFOLIO BY CREDIT RATING as of September 30, 2025



Returns as of September 30, 2025	
YTD	**5.0%**
1 month	**1.4%**
3 month	**2.1%**
6 month	**3.4%**
1 year	**6.7%**
3 year	**7.8%**
5 year	**5.1%**
10 year	**4.8%**
Since inception*	**4.0%**

** August 25, 2011*

Calendar Year Returns	
2024	**8.5%**
2023	**7.6%**
2022	**-0.1%**
2021	**2.0%**
2020	**9.7%**
2019	**6.1%**
2018	**1.4%**
2017	**2.1%**
2016	**5.3%**
2015	**1.2%**

Performance

The Nicola Bond Fund returned +2.1% in Q3, outperforming the iShares Core Canadian Universe Bond Index ETF, which returned +1.5%. This brings the Fund's year-to-date return to +5.0% versus +2.9% for the index. Credit selection was the primary driver of outperformance, offsetting the drag from the Fund's shorter duration amid tightening credit spreads and falling interest rates in September.

Key Contributors

The Fund added value through active credit selection and short-dated positioning:

- In July, relative outperformance was driven by its shorter duration and credit selection. Higher-beta sectors—such as Autos, NVCCs, and REITs—outperformed, while lower-beta sectors, including bail-in debt, lagged.
- The top performer in July was First National Financial Corporation, whose spreads tightened by approximately 0.6% following the announcement of its acquisition by Birch Hill Equity Partners Management Inc. and Brookfield Asset Management Ltd. Investors priced in the stronger credit profile of the combined entity, and our holdings are expected to be redeemed at a significant premium upon closing of the transaction. The announcement also lifted valuations for other short-dated, non-bank financials in the portfolio, such as peer MCAP Commercial LP, as investors looked to reinvest proceeds back into the market.
- August saw continued performance from higher beta sectors like Autos, REITs, mid-cap banks, and credit unions. Ford Motor Company, Equitable Bank, and HomeEquity Bank all benefited from a temporary market shift away from trade war concerns towards the rate cut in September.
- September saw credit modestly perform despite higher supply during the month. Yields dropped and bonds rallied as the Fed and Bank of Canada cut interest rates. Technical demand continued to support prices, offsetting the higher supply of corporate bonds.

New Positions / Exits

We used Q3's favorable market tone to actively manage portfolio risk:

- Reduced credit duration overall by trimming exposure across the portfolio, particularly in late August and September, as valuations approached stretched levels.
- Maintained core exposure to resilient short-dated credits while holding elevated liquidity to act on future dislocations.
- Increased focus on larger and higher rated financial institutions , as well as defensive and structurally supported industries like utilities and power generation.

Our Thoughts On:

The Market

Despite relatively strong market performance in Q3 2025, bond investors face rising risks. Political gridlock and a near U.S. government shutdown highlighted fiscal instability, with federal debt topping $37 trillion and interest payments surging. Trade tensions and China's slowdown add to global uncertainty, while rate cuts by the Fed and Bank of Canada offered some relief. In this environment, disciplined credit exposure and cautious duration exposure are key to navigating potential volatility.

- Yields have moderated to recent history but remain relatively attractive. We believe the risk/reward profile in investment-grade credit continues to favor patient, disciplined capital deployment.
- Inflation concerns eased but economic growth also slowed allowing central banks to cut rates. This allowed yields to move lower across the curve in September.
- Volatility in interest rates and policy headlines is likely to persist, limiting visibility and driving caution in the investment-grade credit space.

The Fund

The Fund remains defensively positioned with a focus on resilient issuers and short-dated maturities. While Q3 offered favorable returns, we remain cautious as valuations tighten and macro risks persist. Our strategy includes:

- From a fundamental perspective, earnings have generally remained strong but idiosyncratic risk has risen which presents potential opportunities.
- Valuations are tighter. As a result, we are reducing exposure to stretched areas of the market where risk premia may no longer compensate for downside risk.
- Market technicals remain supportive. Participating and trading new issues, which may give investors concessions in periods of high corporate bond supply, continue to be beneficial for the fund in the current supportive demand environment.

We remain defensively positioned and are using the favorable market backdrop to further reduce credit duration overall as current valuations appear skewed to the downside.

Top 10 Holdings as of September 30, 2025

Nicola Managed Portfolio	Security Name	Weight
Canada Housing Trust	CANHOU 2.85% 15 JUN 2030 126	4.8%
Tourmaline Oil Corp.	TOUCN 0 10/23/25	1.9%
Primaris REIT	PMZUCN 4.727% 30 MAR 2027 A	1.9%
TransCanada PipeLines Limited	TRP CCP 0 10/24/25	1.9%
Enbridge Inc.	ENB 0 11/04/25	1.8%
Ford Motor Credit Company LLC	F 7.375% 12 MAY 2026	1.8%
Sempra	SRE 4.875% PERP	1.8%
SmartCentres REIT	SRUUCN 3.192% 11 JUN 2027 V	1.6%
Morgan Stanley	MS FRN 17 APR 2031	1.5%
Granite REIT	GRTCN Float 12/11/26	1.4%
Total		**20.3%**

[1] Gross Yield represents the estimated income generated from the fund's underlying holdings, including income from externally managed funds. These estimates are based on the best available information and are subject to change without notice.

[2] Duration is a measure of the sensitivity of a bond's price to changes in interest rates. An increase in interest rates is associated with a decrease in bond prices, whereas a decrease in interest rates is linked to an increase in bond prices. The duration for the Nicola Bond Fund is an estimate based on best available information and is subject to change without notice.

The Fund may be impacted by movements in the exchange rates between the fund's currency and the currencies of the fund's investments. Currency hedging may be employed, at times, to offset that impact.

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. ETF's are pooled funds that track a specific investment universe that is expressed by a market index or a basket and that is listed on an exchange. Unlike a market index, an ETF incurs trading costs and other charges, including taxes. Because of these incurred costs, an ETF may underperform the market index that it tracks. ETF returns stated in this material are based on NAVs and are stated net of fees and other costs, including transaction costs.