NICOLA WEALTH
PUBLIC ASSETS

Nicola High Yield Bond Fund
Quarterly Report | Q3 2025

Overview

Nicola High Yield Bond Fund seeks to generate an attractive level of income and the opportunity for capital appreciation by investing in a diversified portfolio consisting primarily of fixed-income and related instruments, with a secondary emphasis on capital preservation.

Highlights

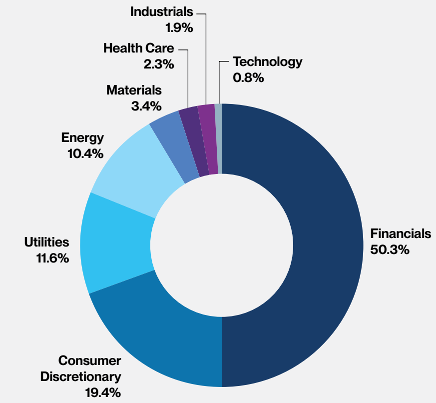
Attractive yield – Seeks to provide higher income than traditional fixed-income investments.

Broad diversification – North American focus for broad diversity and a stronger liquidity profile.

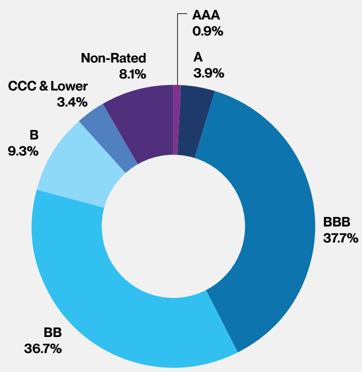
Defensive high-yield strategy – The Fund focuses on high yield and looks for market dislocations to apply an opportunistic, bottom-up approach to seek better risk-adjusted returns.

Investment flexibility – The Fund's underlying investments include investment grade and high-yield bonds, preferred shares, and leveraged loans. The strategy can use short positions, leverage, and derivatives for both risk management and return generation.

NICOLA MANAGED PORTFOLIO BY SECTOR as of September 30, 2025



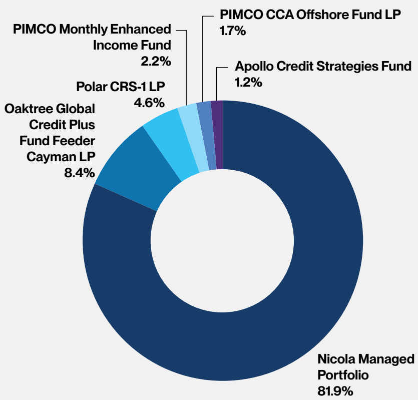
NICOLA MANAGED PORTFOLIO BY CREDIT RATING as of September 30, 2025



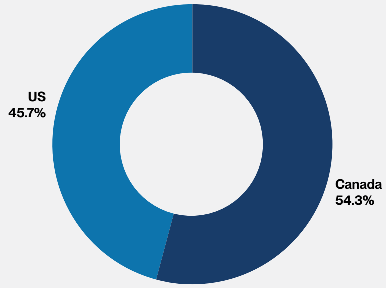
Bond Characteristics

Gross Yield[1]	6.7%
Average Term to Maturity	3.9yrs
Average Credit Rating	BB
Duration[2]	2.3yrs
Number of Holdings	179

HOLDINGS BY ASSET MIX as of September 30, 2025



HOLDINGS BY GEOGRAPHY as of September 30, 2025



HOLDINGS BY CURRENCY EXPOSURE (net hedged) as of September 30, 2025

Returns as of September 30, 2025	CAD	USD
YTD	**3.9%**	**5.1%**
1 month	**0.9%**	**1.1%**
3 month	**2.7%**	**3.1%**
6 month	**4.2%**	**5.2%**
1 year	**7.2%**	**2.0%**
3 year	**7.8%**	**6.5%**
5 year	**6.2%**	**4.7%**
10 year	**6.0%**	**5.4%**
Since Inception*†	**7.4%***	**3.2%†**
	*February 13, 2009	†July 19, 2013

Calendar Year Returns	CAD	USD
2024	**10.7%**	**1.8%**
2023	**8.3%**	**10.9%**
2022	**-0.7%**	**-7.3%**
2021	**7.7%**	**8.2%**
2020	**7.3%**	**9.5%**
2019	**5.4%**	**10.8%**
2018	**2.7%**	**-5.4%**
2017	**3.4%**	**10.5%**
2016	**13.2%**	**17.0%**
2015	**3.0%**	**-13.7%**

Performance

The Nicola High Yield Bond Fund (CAD) returned +2.7% in Q3 versus +1.7% for the iShares US High Yield Bond Index ETF (CAD-Hedged). The fund's diversified approach to income contributed to its outperformance. Our internal portfolio generated stronger relative performance during the quarter particularly in July and September.

Key Contributors

- Canadian corporate hybrids, bank capital notes and domestic high yield outperformed, supported by investor demand for attractive all-in yields. Notable outperformers were Capital Power Corporation, Keyera Corp. and Equitable Bank.
- Flexjet Inc. remained a top outperformer, underpinned by resilient demand and stable contractual revenue streams.
- Other notable US high yield outperformers were Wildfire Intermediate Holdings LLC, Kioxia Holdings Corporation, StoneX Group Inc., and Nissan Motor Co., Ltd.
- Polar Credit Risk Sharing-1 LP continues to deliver steady income by partnering with major Canadian banks that transfer a portion of the economics and credit risk of their loan portfolios in return for capital relief.

New Positions / Exits

- Reduced exposure to lower-rated, high-beta, and cyclical issuers that performed well during the quarter, while reallocating toward more defensive, less economically sensitive sectors such as Utilities by quarter-end.
- Increased allocations to BB-rated issuers offering attractive spread compensation.
- Participated in select new issues where risk-adjusted returns were viewed as compelling.

Our Thoughts On:

The Market

- Q3 saw a gradual tightening in credit spreads, supported by continued earnings growth across the High Yield market, even as cyclical sectors like chemicals began to show signs of softness.
- Market sentiment turned positive, driven by declining U.S. Treasury yields amid softer inflation data and a more dovish outlook from the Federal Reserve.
- Despite the strength, we remain cautious in a tighter spread environment, where careful security selection is essential to navigate growing idiosyncratic credit risks.

Our Fund

We believe that defensive positioning remains essential in the current environment, given the presence of significant macro tailwinds offset by headwinds —such as the potential for rate cuts and trade conflict escalation —that could quickly shift, and the reality that high yield credit spreads remain near historically tight levels.

- From a fundamental perspective, geopolitical and economic uncertainty has created lots of dispersion, presenting attractive idiosyncratic opportunities. We continue to emphasize disciplined credit selection and prudent risk management.
- While markets have been resilient, valuations offer limited cushion against negative surprises, making selectivity and risk management more important than ever. The portfolio remains biased toward higher-quality BB-rated issuers, Canadian bank capital notes, and utility and pipeline hybrids.
- Technicals remain relatively strong with demand outstripping supply in the high yield market. The fund maintains elevated liquidity to capitalize on potential future market dislocations.

We expect active management to remain essential as the market navigates rate shifts, policy risks, and credit-specific volatility. Though risks are elevated, we believe the dispersion in the fixed income market continues to offer pockets of opportunities for compelling risk-adjusted returns.

Top 10 Holdings as of September 30, 2025

Nicola Managed Portfolio	Security Name	Weight
iShares U.S. High Yield Bond Index ETF	ISHARES U.S. HIGH YIELD BOND	2.7%
Emera Inc.	EMACN FRN 01 APR 2056	1.9%
Ford Credit Canada Company	F 7.375% 12 MAY 2026	1.6%
Navient Corporation	NAVCOR 7.25% 01 OCT 2033	1.6%
Enbridge Inc.	ENBUS CCP 0 10/21/25	1.5%
CI Financial Corp.	CIXCN 6.0% 20 SEP 2027	1.4%
Granite REIT	GRTCN Float 12/11/26	1.4%
NorthWest Healthcare Properties REIT	NWHUCN 5.019% 18 FEB 2028	1.4%
Tourmaline Oil Corp.	TOUCN CCP 0 10/23/25	1.3%
Applied Properties REIT	APUCN FRN 07 APR 2027	1.2%
Total		**15.9%**

[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

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