Nicola Bond Fund
Quarterly Report | Q4 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.

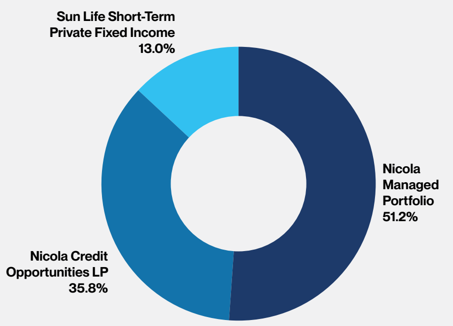
Highlights

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

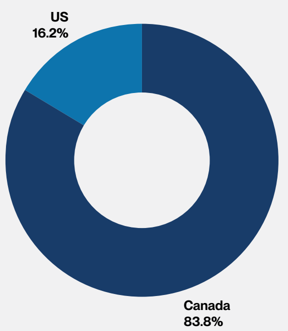
Capital preservation –The manager takes a conservative investment approach focused on managing interest rate, credit, and downside risk.

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 December 31, 2025



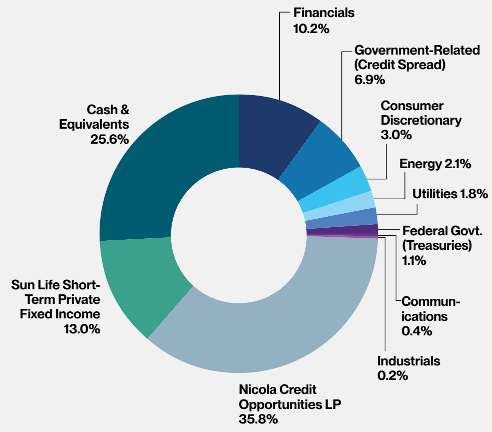
HOLDINGS BY GEOGRAPHY as of December 31, 2025



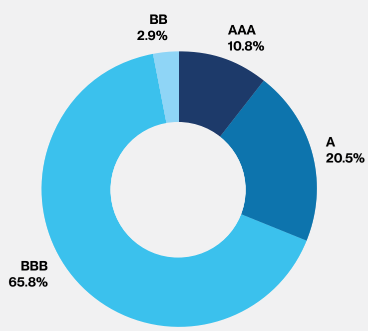
Bond Characteristics

Gross Yield[1]	3.9%
Average Term to Maturity (excluding futures, credit only)	3.4yrs
Average Credit Rating	BBB
Duration[2]	4.6yrs
Number of Holdings	78

HOLDINGS BY SECTOR as of December 31, 2025



HOLDINGS BY CREDIT RATING as of December 31, 2025



Returns as of December 31, 2025	
YTD	**5.3%**
1 month	**-0.5%**
3 month	**0.3%**
6 month	**2.4%**
1 year	**5.3%**
3 year	**7.1%**
5 year	**4.6%**
10 year	**4.7%**
Since inception*	**4.0%**

**August 25, 2011*

Calendar Year Returns	
2025	**5.3%**
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%**

Performance

The Nicola Bond Fund returned +0.3% in Q4, outperforming the iShares Core Canadian Universe Bond Index ETF, which returned -0.3%. This brings the Fund's year-to-date return to +5.3% versus +2.6% for the index. Markets were choppy through the quarter as central banks continued to ease policy, while bond yields rose into year-end on resilient labour data and inflation that proved stickier than expected. The Fund's shorter duration and credit selection helped offset the headwind from higher government yields in December.

Key Contributors

The Nicola Bond Fund's relative performance over the quarter reflected its short duration profile and issuer selection across both Canadian and U.S. investment-grade credit:

- October saw supportive policy easing from the Bank of Canada and the U.S. Federal Reserve. Canadian corporate bonds were broadly stable, and the Fund's shorter-duration positioning was a modest headwind versus the index. Overweights in Autos, REITs, and Power Generation contributed positively, while underweights in Telecommunications and Infrastructure/Transportation detracted.
- December's negative returns were driven primarily by higher Canadian government yields as labour market expectations improved. The Fund outperformed due to its shorter duration and strong credit selection, with higher beta issuers such as First National Financial, CI Financial, and Royal Caribbean contributing positively.
- First National was a notable idiosyncratic driver: following its take-private acquisition announced earlier in the year, the company refinanced and redeemed outstanding notes at a premium, creating a liquidity event that supported a 0.5% tightening of credit spreads over the quarter.

New Positions / Exits

WWe used Q4's active primary market to manage risk and add selectively when valuations were attractive:

- Stayed selective in new issues amid heavy Canadian supply, focusing on deals with meaningful new issue concessions and strong fundamentals.
- Added exposure in targeted areas where we see improving credit stories and deleveraging potential, including power generation companies such as Atlas Warehouse Lending Co LP, Vistra Corp and Royal Caribbean Cruises Ltd.
- Maintained elevated liquidity and a shorter duration profile so we can re spond quickly to any dislocations. This allowed us to add risk in November when spread volatility increased and subsequently reduce risk in December when markets rallied.

Our Thoughts On:

The Market

In Canada, the unemployment rate fell to 6.5% in November, reflecting stronger employment gains after a soft patch earlier in the year. Inflation ended the year with headline CPI accelerating to 2.4% in December due to base effects, while core measures continued to ease, keeping policy expectations anchored. Globally, a key technical theme has been heavy funding needs tied to AI infrastructure, with analysts expecting hyperscalers to remain a major driver of corporate bond supply.

- We expect primary markets to remain active in 2026 as AI capital expenditure, refinancing needs, and M&A financing keep issuance elevated.
- Canadian yields have become more two-sided in risk: improving labour prints have challenged the rate rally at times.
- Policy and headline volatility remains a key risk, especially if the pace of AI-related borrowing accelerates or growth surprises to the upside.

The Fund

The Nicola Bond Fund remains defensively positioned with an emphasis on resilient issuers and short-dated maturities. All-in yields remain attractive but we are approaching the market carefully as valuations in parts of the investment-grade market like Technology are less forgiving, particularly where supply is increasing. Our strategy includes:

- From a fundamental perspective, our preference is to add exposure in issuers where we see clear catalysts for deleveraging or improving credit quality. We are monitoring capital expenditure spend and late cycle behaviour.
- Valuations remain expensive so we are staying active in primary markets only when pricing offers adequate compensation, particularly during periods of heavy supply.
- Market technicals remain strong. Participating in and trading new issues which give investors concessions in periods of high corporate bond supply continue to be beneficial for the fund in the current supportive demand environment.

We are holding elevated liquidity and preserving flexibility to redeploy capital if volatility creates better entry points, including around potential AI infrastructure borrowing and M&A-related issuance. We remain focused on disciplined risk management and will continue to adjust exposure as opportunities arise.

Top 10 Holdings as of December 31, 2025

Nicola Managed Portfolio	Security Name	Weight
Canada Housing Trust	CANHOU 2.85% 15 JUN 2030 126	5.0%
Tourmaline Oil Corp.	TOUCN CCP 0 01/21/26	2.7%
Granite REIT	GRTCN Float 12/11/26	1.5%
Atlas Warehouse Lending Company, L.P.	ATWALD 4.625% 15 NOV 2028	1.5%
Allied Properties REIT	APUCN FRN 07 APR 2027	1.4%
Equitable Bank	EQBCN BDN 0 07/16/26	1.4%
CI Financial Corp.	CIXCN 6.0% 20 SEP 2027	1.4%
Emera Incorporated	EMACN 6.75% 15 JUN 2076 16-A	1.3%
Canada Housing Trust	CANHOU 2.85% 15 DEC 2030	1.3%
Engineered Floors	ENGSIN 0 01/15/26	1.3%
Total		**18.9%**

Total may differ slightly due to rounding of individual holdings.

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[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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