NICOLA WEALTH
PUBLIC ASSETS

Nicola High Yield Bond Fund Quarterly Report | Q4 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

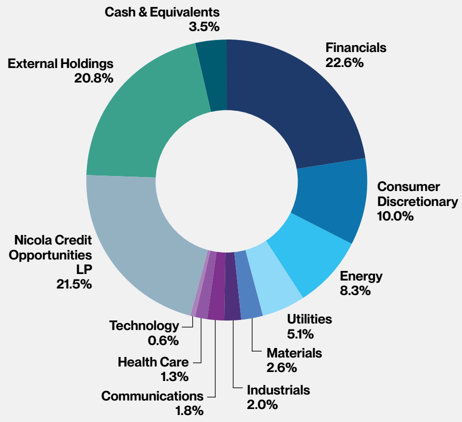
Attractive yield – Seeks to provide higher income than traditional fixed-income investments.

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

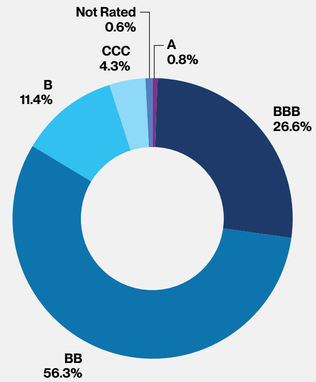
Defensive high-yield strategy – The Fund focuses on high yield and looks for market dislocations to apply an opportunistic, bottom-up approach to seek better risk-adjusted returns.

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.

HOLDINGS BY SECTOR as of December 31, 2025



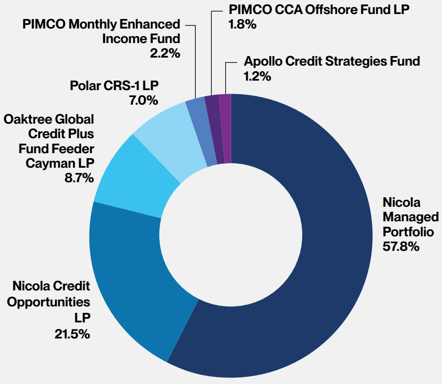
HOLDINGS BY CREDIT RATING as of December 31, 2025



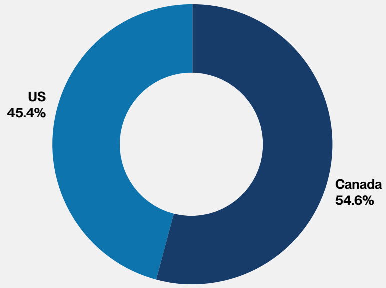
Bond Characteristics

Gross Yield[1]	6.6%
Average Term to Maturity (credit only)	3.3yrs
Average Credit Rating	BB
Duration[2]	2.4yrs
Number of Holdings	111

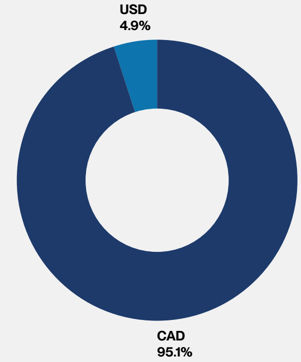
HOLDINGS BY ASSET MIX as of December 31, 2025



HOLDINGS BY GEOGRAPHY as of December 31, 2025



HOLDINGS BY CURRENCY EXPOSURE (net hedged) as of December 31, 2025



Returns as of December 31, 2025

	CAD	USD
YTD	**5.0%**	**6.8%**
1 month	**0.4%**	**0.6%**
3 month	**1.1%**	**1.6%**
6 month	**3.8%**	**4.7%**
1 year	**5.0%**	**6.8%**
3 year	**8.0%**	**6.4%**
5 year	**6.1%**	**3.9%**
10 year	**6.2%**	**6.0%**
Since Inception*†	**7.4%***	**3.2%†**
	**February 13, 2009*	*†July 19, 2013*

Calendar Year Returns

	CAD	USD
2025	**5.0%**	**6.8%**
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%**

Performance

The Nicola High Yield Bond Fund returned +1.1% in Q4 and +5.0% year-to-date, compared to +1.0% in Q4 and +6.8% year-to-date for the iShares US High Yield Bond Index ETF (CAD-Hedged). The quarter was characterized by alternating bouts of macro volatility and improving risk appetite as markets digested shifting Federal Reserve expectations, a disruption in U.S. economic data releases tied to the 2025 lapse in appropriations, and a late-quarter improvement in technicals.

Key Contributors

- Our tilt toward higher-quality US dollar BB credits and select Canadian high yield and hybrid exposure supported relative performance through periods of rate and headline volatility.
- In October, sector positioning added value, with Utilities and Financials among the stronger contributors, while avoiding weaker pockets of the market (including select Paper & Packaging exposure) helped mitigate idiosyncratic drawdowns.
- At the issuer level, Capital Power and Kioxia were notable outperformers, supported by expectations of increased power and semiconductor spending. Jane Street and StoneX also contributed on the back of robust trading volumes and healthy financial market activity.
- 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

- Maintained a higher-quality bias through the quarter, adding to issuers with durable business models such as Encore Capital Group and Norwegian Cruise Line Holdings.
- Focused on issuers with a de-leveraging focus where improving fundamentals offered attractive risk/reward like Sunoco and Algonquin Power hybrid notes.
- Canadian High Yield new issuance was active and we selectively engaged in names where we thought valuation was more compelling like North American Construction Group and Fairfax Financial owned Recipe Unlimited.

Our Thoughts On:

The Market

- Q4 began with renewed sensitivity to macro headlines. Early-quarter risk sentiment was influenced by concerns around consumer credit deterioration and policy uncertainty, including funding risks tied to the 2025 lapse in U.S. appropriations that disrupted economic data collection and delayed releases.
- High Yield credit spreads widened from 2.8% and peaked at 3.2% in mid November before rallying back to end the quarter where it started.
- Against that backdrop, the Federal Reserve lowered the target range for the federal funds rate by 0.25% at the December 10 meeting, highlighting elevated uncertainty and a growing divergence of views within the Committee—an important driver of late-quarter rates and risk sentiment.

Our Fund

We remain focused on higher-quality credits with attractive risk/reward and on maintaining flexibility in a market where macro outcomes can shift quickly. We continue to prioritize liquid issuers with strong balance sheets and resilient earnings profiles.

- From a fundamental perspective, geopolitical and economic uncertainty has created some 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. Canadian High Yield issuers offer better relative value at this point in time. The portfolio remains biased toward higher-quality BB-rated issuers and Canadian High Yield.
- Technicals remain 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 December 31, 2025

Nicola Managed Portfolio	Security Name	Weight
Navient Corporation	NAVCOR 7.25% 01 OCT 2033	1.5%
iShares iBoxx $ High Yield Corporate Bond ETF	ISHARES IBOXX HIGH YLD CORP	1.2%
Granite REIT	GRTCN Float 12/11/26	1.1%
Atlas Warehouse Lending Company, L.P.	ATWALD 4.625% 15 NOV 2028	1.1%
Allied Properties REIT	APUCN FRN 07 APR 2027	1.0%
CI Financial Corp.	CIXCN 6.0% 20 SEP 2027	1.0%
Volkswagen Credit, Inc.	VWCRED 0 01/22/26	1.0%
Enbridge Inc.	EMACN 6.75% 15 JUN 2076 16-A	1.0%
Ardagh Group S.A.	ARDGRP 8.875% 15 FEB 2032 144A	1.0%
Canada Housing Trust	CANHOU 2.85% 15 DEC 2030	1.0%
Total		**10.9%**

[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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