Nicola Bond Fund
Quarterly Report | Q2 2025

NICOLA WEALTH
PUBLIC ASSETS

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.

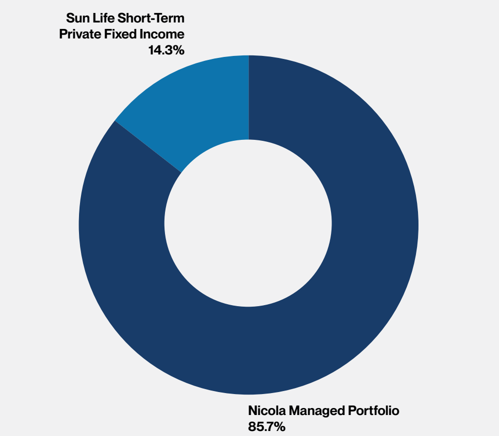
Highlights

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

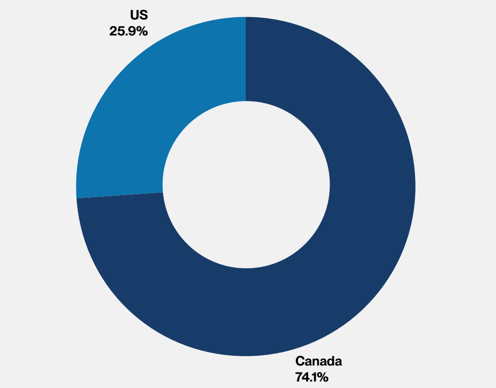
Capital preservation –The manager takes a conservative investment approach focused on managing interest rate, credit, and downside risk.

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 June 30, 2025



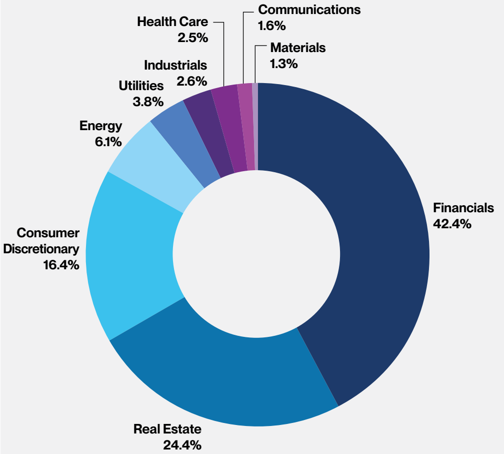
HOLDINGS BY GEOGRAPHY as of June 30, 2025



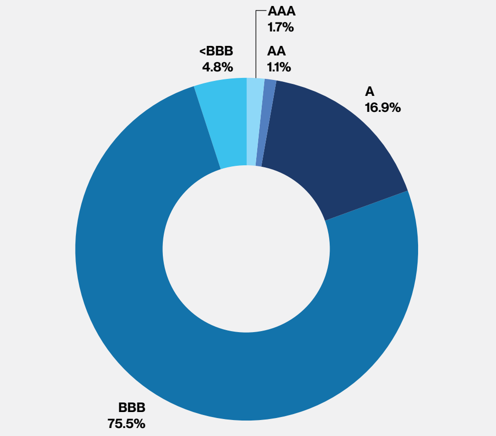
Bond Characteristics

Gross Yield[1]	5.0%
Average Term to Maturity	6.2yrs
Average Credit Rating	BBB
Duration[2]	4.9yrs
Number of Holdings	337

NICOLA MANAGED PORTFOLIO BY SECTOR as of June 30, 2025



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



Returns as of June 30, 2025	
YTD	**2.8%**
1 month	**0.9%**
3 month	**1.2%**
6 month	**2.8%**
1 year	**8.9%**
3 year	**7.2%**
5 year	**5.4%**
10 year	**4.5%**
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 +1.2% in Q2, outperforming the iShares Core Canadian Universe Bond Index ETF, which returned 0.0%. This brings the Fund's year-to-date return to +2.8% versus +1.4% for the index. Outperformance was driven by strong credit selection and the Fund's shorter duration profile, which helped reduce sensitivity to rising government bond yields during the quarter.

Key Contributors

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

- In April, we rotated exposure from Canadian banks into high-quality U.S. banks like JPMorgan, capturing wider spreads with similar credit quality. Allied Properties REIT was a standout contributor, with spreads tightening after Moody's withdrew its unsolicited high-yield rating and legacy bonds were added to the FTSE Investment Grade Index.
- May and June saw strong contributions from short-dated Ford Motor Credit and Nissan Motor bonds, both of which benefited from resilient fundamentals and improved sentiment. Ford Credit spreads tightened by ~0.5%, while Nissan's short-dated paper was supported by stable liquidity and strong operating performance.
- Higher-beta sectors such as autos, REITs, and energy infrastructure outperformed as credit spreads tightened amid improving sentiment and easing geopolitical risks.

New Positions / Exits

We used Q2's favorable market tone to actively manage portfolio risk:

- Reduced credit duration by trimming exposure to cyclical and tariff-sensitive sectors, particularly in June, as valuations approached stretched levels.
- Continued rotating out of Canadian credit into high-quality U.S. issuers in April, capitalizing on relative value dislocations.
- Maintained core exposure to resilient short-dated credits while holding elevated liquidity to act on future dislocations.

Our Thoughts On:

The Market

Markets were buoyed in Q2 by easing geopolitical tensions and sustained investor appetite for yield. Credit spreads tightened steadily across Canadian and U.S. markets, helped by light new issuance and continued fund inflows. However, macro uncertainty remains high:

- Yields remain high relative to recent history, offering investors a compelling entry point into fixed income. We believe the risk/reward profile in investment-grade credit continues to favor patient, disciplined capital deployment.
- Inflation concerns and stronger-than-expected growth data pushed yields higher across the curve in April and May, while June saw more muted moves.
- 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 high-quality issuers and short-dated maturities. While Q2 offered strong returns, we remain cautious as valuations tighten and macro risks persist. Our strategy includes:

- Continuing to favor short-duration bonds in defensive sectors like telecoms, utilities, and pipelines.
- Avoiding stretched areas of the market where risk premia no longer compensate for downside risk.
- Preserving flexibility to add risk when spreads widen or fundamentals improve.

We believe this conservative positioning leaves the Fund well-placed to navigate a potentially more volatile second half of the year.

Top 10 Holdings as of June 30, 2025

Nicola Managed Portfolio	Security Name	Weight
Canada Housing Trust	CANHOU 2.85% 15 JUN 2030 126	4.3%
Enbridge Inc.	ENBUS CCP 0 07/17/25	2.1%
Pembina Pipeline Corporation	PMZUCN 4.727% 30 MAR 2027 A	1.8%
Ford Motor Credit Company	F 7.375% 12 MAY 2026	1.6%
Goldman Sachs	GS FRN 23 APR 2031	1.5%
Morgan Stanley	MS FRN 17 APR 2031	1.5%
Suncor Energy Inc.	SRUUCN 3.192% 11 JUN 2027 V	1.4%
Enbridge Inc.	ENBUS 0 07/15/25	1.3%
Granite REIT	GRTCN Float 12/11/26	1.3%
NorthWest Healthcare Properties REIT	NWHUCN 5.019% 18 FEB 2028	1.3%
Total		**18.1%**

[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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