Nicola Canadian Mortgage Fund Quarterly Report | Q1 2026

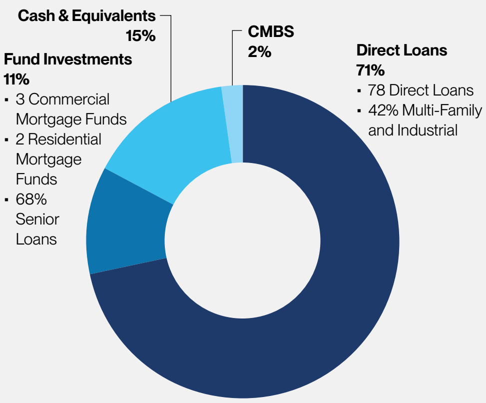
Objective

The objective of the Nicola Canadian Mortgage Fund ("Nicola CMF" or the "Fund") is to provide unit holders with a stable level of interest income while also seeking to preserve capital.

Strategy

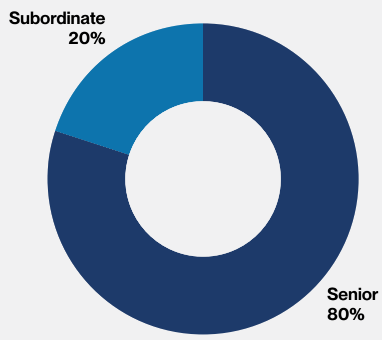
The Fund invests in loans, either directly or indirectly through the purchase of other securities, which are ultimately secured by mortgages on real property located in Canada. The Fund may also invest in cash, cash equivalents, or other debt securities from time to time. The Fund may employ leverage strategies to enhance yield and may use interest rate swaps or other derivatives to reduce interest rate volatility.

FUND ASSETS as of March 31, 2026



May not add up to 100% due to rounding

FUND BY PRIORITY as of March 31, 2026*



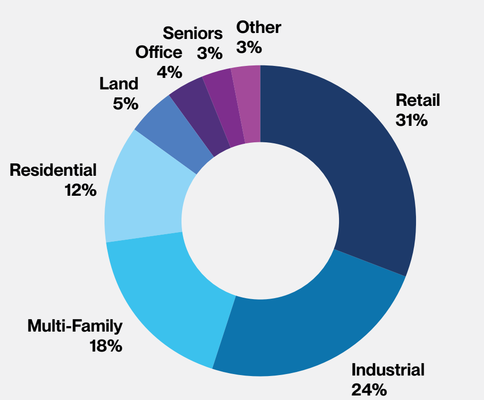
** Excludes cash & equivalents*

Fund Metrics

Weighted Avg. Stabilized LTV	68.9%
Weighted Avg. Stabilized DSCR*	1.04x
Avg. Loan Size (CAD Millions)	$13.5
Term to Maturity (Months)	11.0
Number of Direct Loans	78
Fixed/Floating	44% / 56%

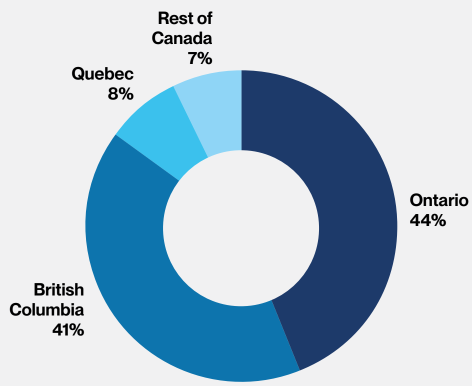
**Direct Loans and CMBS only*

FUND BY PROPERTY TYPE as of March 31, 2026*



** Excludes cash & equivalents*

FUND BY GEOGRAPHY as of March 31, 2026*



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Returns for the period ENDING as of March 31, 2026

QTD	1.4%
YTD	1.4%
1 year	6.2%
3 year	7.4%
5 year	7.0%
10 year	6.1%
Since inception*	6.2%

** November 2009*

Performance

Nicola CMF returned 1.4% during Q1 2026, bringing the trailing twelve-month return to 6.2%. Recent performance has been driven by:

1. Contractual cash interest income from the Fund's direct loan portfolio and other investments.
2. Our portfolio's loan structure, including a 56% allocation to floating-rate loans with built-in interest rate floors and a 44% allocation to fixed-rate loans, effectively locked in minimum yields, preserving contractual income through the 2025 easing cycle and the current expected pause.

The Fund held 15.3% in cash and equivalents at the end of Q1 2026.

Total Fund Assets Under Management ("AUM") was C$1.1B at the end of Q1 2026, down slightly by 1.0% over the last 12 months.

New Investments and Realizations

Nicola CMF reviewed 42 new loan opportunities in Q1 2026, ultimately deploying C$27M across 6 new investments, as well as subsequent advances from prior commitments. A key investment made during Q1 2026 includes:

Retail

C$21,000,000
GREATER TORONTO AREA
ONTARIO
CAD

Our Thoughts On:

The Market

According to CBRE's Q4 2025 Canada Investment Overview, Canadian commercial real estate investment rebounded to C$13.5B in Q4 2025, marking a 25.1% increase quarter-over-quarter. Stronger transaction momentum throughout 2025 compared to 2024 led total annual investment volumes to C$47B, representing a 6.3% year-over-year increase.

Multifamily remained the most active investment asset class in Q4 2025 with C$4.3B in volumes and office investment more than doubled in Q4 2025 to C$2.3B. Industrial investment volumes have continued to moderate and declined for the third consecutive quarter in Q4 2025, while retail activity has continued to be robust.

On the residential front, the British Columbia Real Estate Association Economics outlook ("the outlook") expects a moderate recovery in sales activity in the Lower Mainland and Greater Victoria, though levels are anticipated to remain slightly below the 10-year average. According to the outlook, house price forecasts for 2026 have also been revised downward, with projected growth reduced from an earlier estimate of 4% to a more modest 1% increase.

The Bank of Canada has maintained its policy interest rate at 2.25%, signaling a pause amid economic uncertainty and energy price shocks. Major banks remain divided, with some forecasting a 50 bps increase in the second half of 2026 due to persistent inflation pressures, while others expect rates to remain unchanged through 2026 before rising to 3.25% by the end of 2027.

Our Fund

Nicola CMF primarily targets income-producing commercial mortgage loans ranging from C$10M to C$30M, alongside a small allocation to residential loans. The Fund holds 78 direct loan positions (71% of AUM) and 5 fund investments (11% of AUM). The portfolio's largest direct loan accounts for 3.5% of AUM.

The Fund remains committed to a full-cycle lending strategy, even amidst an unstable economic backdrop. We continue to prioritize funding loans secured by core property types located in major Canadian markets, with an emphasis on monitoring property-level metrics across the existing loan portfolio. This defensive approach has enabled the Fund to maintain resilience in a volatile credit environment.

Top Investments

Investment	%AUM	Description
Fund Investment	3.7%	Open ended fund with a portfolio of loans secured by residential mortgages located in Ontario
Fund Investment	3.5%	Open ended fund with a portfolio of loans secured by mortgages over income producing commercial real estate located in Canada
Direct Loan	3.5%	Senior ranking mortgage loan over a retail property in British Columbia
Direct Loan	3.0%	Senior ranking mortgage loan over a retail property in British Columbia
Direct Loan	2.8%	Senior ranking mortgage loan over an industrial zoned development site in British Columbia
Direct Loan	2.8%	Senior ranking mortgage loan over a retail property in British Columbia
Direct Loan	2.8%	Subordinate ranking mortgage loan over a retail property in Ontario
Direct Loan	2.6%	Senior ranking mortgage loan over an industrial property in the Prairies
Direct Loan	2.6%	Senior ranking mortgage loan over an industrial property in British Columbia
Direct Loan	2.3%	Senior ranking mortgage loan over a retail property in Quebec