Nicola Private Debt Fund
Quarterly Report | Q1 2026

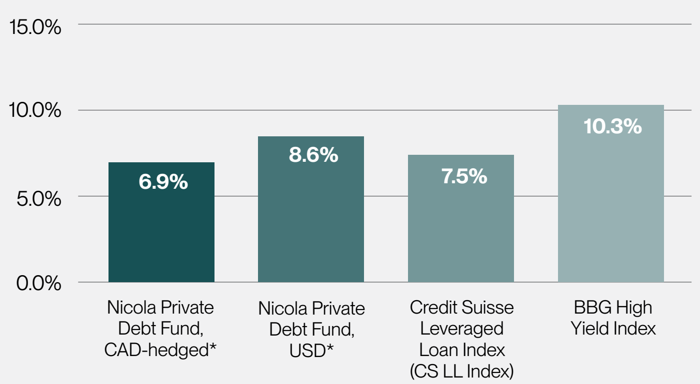
Objective

The objective of the Nicola Private Debt Fund ("Nicola PDF" or the "Fund") is to achieve a high level of current income while emphasizing capital preservation by investing primarily in senior secured middle market corporate debt.

Strategy

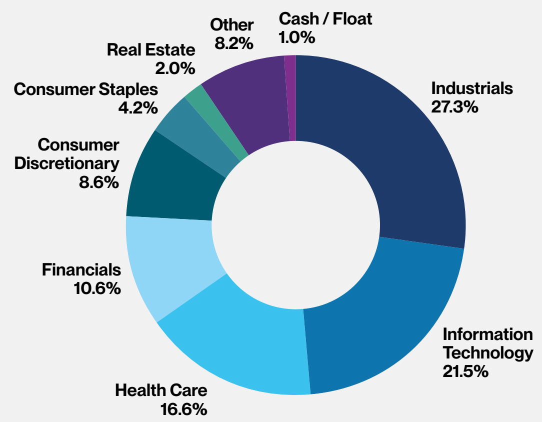
The Fund combines direct investing in private debt, and a fund-of-funds approach with the objective of earning an attractive premium above the returns of publicly traded, non-investment-grade fixed income securities. The Fund diversifies across managers, regions, industries and strategies, and the portfolio enables investment access across a wide set of attractive private and public debt opportunities. The Fund may also invest in cash, cash equivalents, Business Development Companies, Mortgage Real Estate Investment Trusts, publicly traded credit and Collateralized Loan Obligations. The Fund may employ the use of leverage and currency hedging.

LAST TWELVE MONTHS PERFORMANCE
as of March 31, 2026



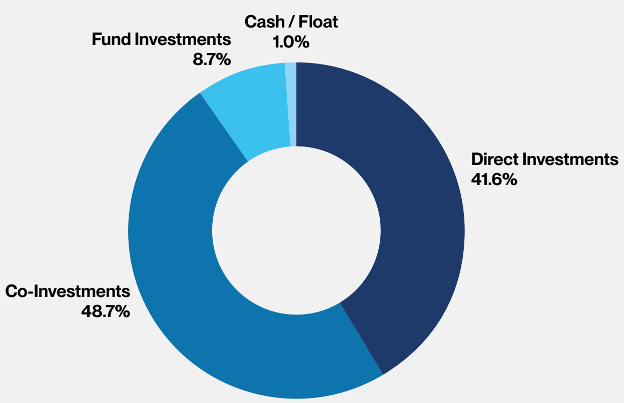
* Net Returns

INVESTMENTS BY SECTOR
as of March 31, 2026*



* Based on AUM

INVESTMENTS BY TYPE
as of March 31, 2026*



* Based on AUM

Returns for the period ENDING as of March 31, 2026

	USD	CAD
QTD	**1.7%**	**1.5%**
YTD	**1.7%**	**1.5%**
1 year	**8.6%**	**6.9%**
3 year	**9.3%**	**8.4%**
5 year	**–**	**8.1%**
10 year	**–**	**–**
Since inception*	**8.0%**	**7.5%**

* October 31, 2017 for CAD series. December 31, 2021 for USD series.

Performance

In Q1 2026, the Fund's CAD-hedged unit class returned +1.5% bringing the 1-year net return to 6.9%, while the USD unit class returned +1.7% bringing the 1-year return to 8.6%. Recent performance has been driven by:

1. Contractual cash interest income from the Fund's direct and co-investments which made up 41.6% and 48.7%, respectively, of the portfolio as of the end of Q1 2026.
2. Our 97% allocation to floating rate loans has provided an opportunity for incremental return amid elevated interest rates.
3. A conservative level of leverage, which has increased to 0.66x at the end of Q1 2026 from 0.46x at the end of Q1 2025.

Approximately 96% of the Fund's underlying investments are denominated in USD, and the Fund utilizes currency hedging to hedge 96% of the USD currency exposure attributable to the CAD-hedged unit class.

The approximate current gross levered yield on the Fund's investment portfolio was 11.1% in Q1 2026.

The Fund has generated a 9.3% distribution to investors over the last twelve months, in line with our target distribution.

Gross Asset Value reached C$2.6B at the end of Q1 2026 (C$1.6B in Net Assets) and grew 28% over the last year.

New Investments & Realizations

The Fund reviewed 44 new opportunities in Q1 2026, ultimately investing C$305M across 10 new investments and incremental capital calls from existing investments. Select investment particulars regarding certain new investments made during Q1 2026 are set out below:

Project Empire
Senior Credit Facilities
What they do: A top 20 U.S. CPA firm that provides advisory, tax and audit services to middle market clients, primarily in the Southeast U.S.

Project Aegis
Senior Credit Facilities
What they do: A provider of document storage and information risk mitigation solutions across the U.S.

Project Keystone
Senior Credit Facilities
What they do: A supplier of small, complex, and mission-critical metal components used in regulated, high-reliability end markets.

The Fund realized nine investments in Q1 2026 totaling C$138M and earning a weighted-average gross IRR and MOIC of 13.7% and 1.32x, respectively.

Our Thoughts On:

The Market

In recent months, private credit has received considerable negative coverage in the media, making the so-called "Golden Age of Private Credit" feel like a distant memory. The narrative has coalesced around three core concerns: credit quality, AI-driven disruption in software, and liquidity risks within private BDCs. We believe the media has not characterized all risks accurately. For each topic, we address the key concerns raised by the media and investors, our perspective on the issue, where we believe the market is headed, and finally, how the Fund measures up.

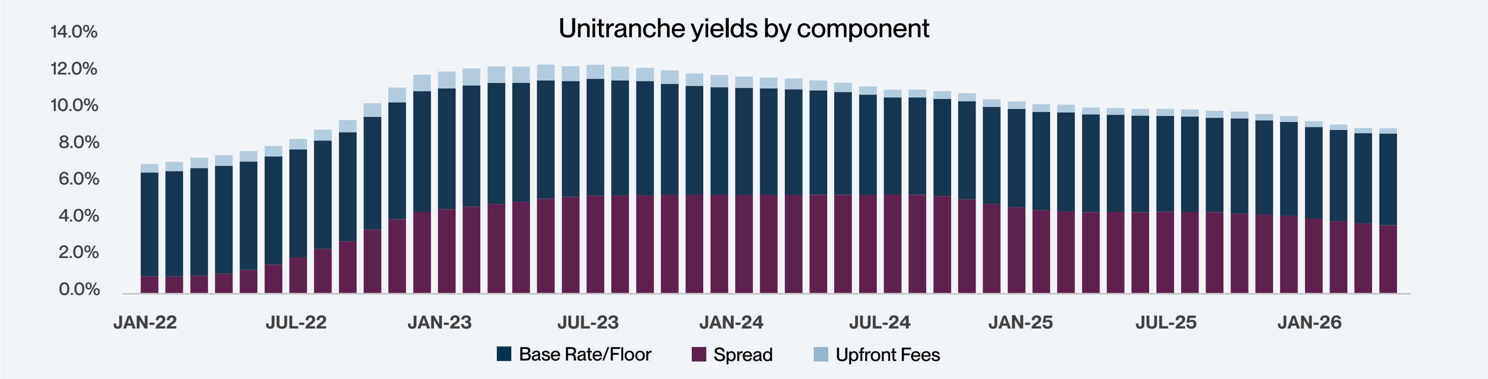
Concerns Raised in Media	How We Measure Up
Credit Quality*: Media attention on rising defaults in private credit emerged following the defaults of First Brands and Tricolor in late 2025. However, neither involved private credit, as these were financed in public markets through bank-led broadly syndicated loans and asset-backed securities, respectively. The causes of defaults were unique to each borrower rather than systemic issues. We view idiosyncratic defaults as a normal part of sub-investment-grade lending, public or private. Direct lending defaults have remained stable at 1.3% over the 12 months ending February 2026, following 1.1% in 2025 and 1.5% in 2024, versus a long-term historical range of 1-2%. KBRA forecasts a 2.0% default rate for 2026, suggesting no expectation of systemic stress. That said, there will be manager dispersion with disciplined credit underwriters outperforming. **Default rates reflect borrower-level defaults (e.g., missed payment) over a trailing period, based on industry data*	1.4% default rate as of February 2026 across 3 distinct borrowers. Historical realized loan loss rate is 0.02% per annum since inception.
AI Disruption of Software: Investor concerns over AI displacing traditional software solutions triggered a sell-off in software equities in early 2026. This spilled into private credit, as certain fund managers like Blue Owl have high exposure to software borrowers (20-30%+ of portfolio assets). Our view is that the impact of AI is not uniformly negative for the entire software sector despite media narratives that AI will replace all software. For software companies characterized by entrenched customer relationships, deep integration into customer systems and workflows, high switching costs, high cost of error, and operational complexity, AI has the potential to enhance productivity and strengthen their value proposition. From a credit perspective, fundamentals remain broadly supported in the software space. KBRA forecasts software sector default rates of ~2.5% in 2026, in line with the broader market. Again, we expect manager and borrower dispersion.	12% of portfolio is invested in software sector across 17 borrowers, meaningfully lower than 20-30% seen across many direct lending funds. The investment team has proactively reviewed the Fund's software holdings to assess AI-related disruption and has identified very limited exposure to businesses directly threatened by rapid AI substitution.
Liquidity in Private BDCs: Retail investors also sought redemptions from the large private BDCs exceeding typical 5% quarterly caps concurrently with the market sell-off. Managers responded by limiting redemptions to 5% to protect remaining investors, and avoid the need to sell illiquid loans at discounted prices. Our view is that large perpetual BDC managers are broadly performing well with solid portfolios (exceptions do exist), and they should be able to meet redemption requests over multiple quarters. Moreover, liquidity restrictions should be viewed as a structural feature that allows the manager to generate a return premium over public fixed income. Investors receive a higher return in exchange for reduced liquidity. Semi-liquid funds like BDCs are best suited for investors with multi-year time horizons who prioritize income generation and capital preservation over immediate access to capital.	Monthly liquidity upon 6 months' notice. Over C$450m of cash generated through principal, interest and repayments (>30% of NAV) in the last 12 months.

Overall, credit quality, AI, and liquidity are all fair concerns, though we believe the media chose to sensationalize the narrative rather than assess the risks with a balanced view. In summary, we believe:

- There do not appear to be any systemic credit issues although undisciplined managers will certainly underperform. Credit selection and disciplined underwriting have always been key to success in private credit.
- AI can enhance or disrupt a business. Long-term impact is uncertain, though in our view it is unlikely that AI renders the entire software eco-system obsolete. Adaptation and integration will separate winners from losers.
- Private credit should be viewed as a long-term asset in a portfolio typically offering a return premium in exchange for reduced liquidity (vs high yield and broadly syndicated loans). Liquidity restrictions should be viewed as a structural feature that allows managers to produce that return premium.

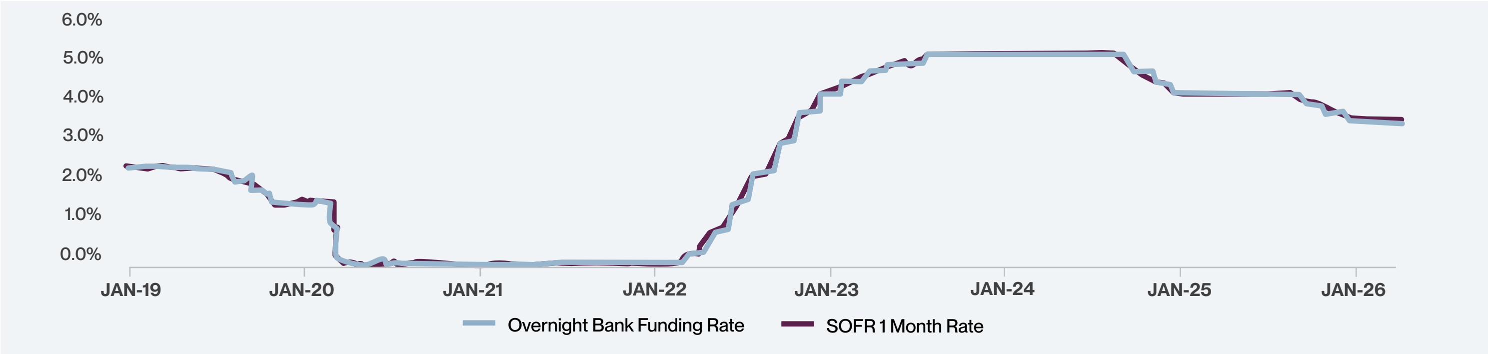
Across all these facets, we believe there will be manager dispersion and therefore manager and credit selection is more critical than ever. The Fund has been constructed with these considerations in mind.

Direct Lending Yields



Base Rates

Rate cut expectations have faded since Q4 2025. As of April 2026, markets are pricing a 40% chance for one rate cut for the year.



Credit Spreads

Spreads tightened throughout 2025, but in Q1 2026 lenders increasingly pushed back, holding firm on pricing and securing more lender friendly terms. This trend began in software financings and broadened later in Q1 2026 amid heightened geopolitical uncertainty following the conflict in the Middle East. Spreads on new deals have widened by 0.25% - 0.50% since Q4 2025, though deal volume declined. With banks remaining largely risk off, reduced competition is creating an opportunity for private credit lenders to be more selective while improving pricing and documentation.

Our Fund

From an underwriting perspective, we believe the Fund's broad and diverse investment pipeline, thorough due diligence, and careful investment selection continue to play a critical role into 2026. Key characteristics we seek in borrowers include a clear competitive advantage; low capital intensity; diversified customer and supplier base; recurring revenue model and strong margins; experienced management team with aligned incentives; and resilient, through-the-cycle performance.

The Fund maintains a strategic focus on lending to U.S. middle-market businesses, with a weighted average borrower-level EBITDA on direct and co-investments over US$100M. The Fund takes a diversified investment approach and holds 138 loans in the portfolio, with no single direct investment accounting for over 2.0% of AUM. The Fund's investment team believes that diversification is a key element of a well-positioned portfolio of yield-oriented credit investments.

The Fund's core focus has remained on senior secured debt for downside protection given the high degree of uncertainty in the macroeconomic environment.

Other Q1 2026 Resources

Podcast: Beyond The Noise: What's Currently Happening in Private Credit

Blog: Separating Signal from Noise in Private Credit

Blog: The Liquidity Architecture of Private Credit

Top Direct/Co-investments

Investment	%AUM	Description
Project Victory	1.6%	Senior Credit Facilities to a health insurance and benefits management service provider.
Project Transform	1.5%	Senior Credit Facilities to a leading provider of critical digital transformation services to enterprise and upper middle market customers.
Project Empire	1.5%	Senior Credit Facilities to a top 20 U.S. CPA firm that provides advisory, tax and audit services to middle market clients, primarily in the Southeast U.S
Project Riptide	1.3%	Senior Credit Facilities to a provider of professional and technical engineering and consulting services to public and private sector clients
Project Midnight	1.3%	Senior Credit Facilities to a provider of integrated end-to-end lifecycle services for data centers.
Project Tornado	1.3%	Senior Credit Facilities to a provider of trenchless water and wastewater infrastructure rehabilitation products and services.
Project Aegis	1.3%	Senior Credit Facilities to a provider of document storage and information risk mitigation solutions across the U.S.
Project Robotto	1.3%	Senior Credit Facilities to a value-added distributor of high-reliability semiconductors.
Project Iris	1.3%	Senior Credit Facilities to an optometry clinic consolidator.
Project Cloud	1.1%	Senior Credit Facilities to a provider of managed IT services including managed desktop, cyber security and cloud management services.