Nicola Bond Fund
Quarterly Report | Q1 2026

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 in corporate, government, and other fixed-income securities in North America, with a focus on overall portfolio quality.

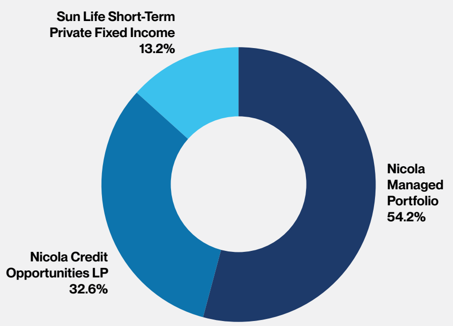
Highlights

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

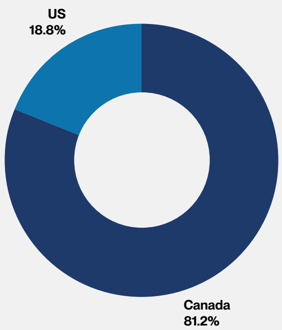
Capital preservation –The manager takes a conservative investment approach focused on managing interest rate, credit, and downside risk.

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 March 31, 2026



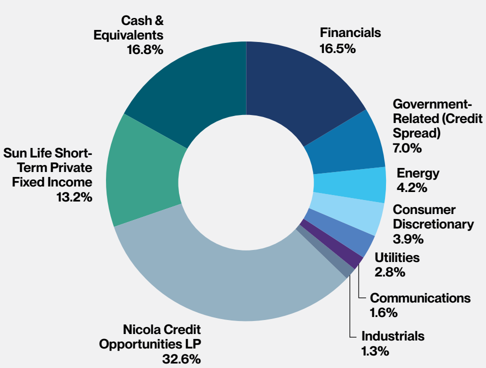
HOLDINGS BY GEOGRAPHY
as of March 31, 2026



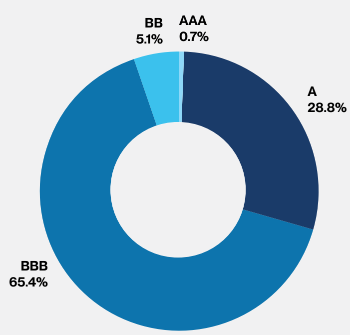
Bond Characteristics

Gross Yield[1]	3.8%
Average Term to Maturity (excluding futures, credit only)	3.7yrs
Average Credit Rating	BBB
Duration[2]	4.3yrs
Number of Holdings	85

HOLDINGS BY SECTOR
as of March 31, 2026



HOLDINGS BY CREDIT RATING
as of March 31, 2026



Returns as of March 31, 2026	
YTD	**0.0%**
1 month	**-1.4%**
3 month	**0.0%**
6 month	**0.3%**
1 year	**3.7%**
3 year	**6.6%**
5 year	**4.5%**
10 year	**4.6%**
Since inception*	**3.9%**

**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 +0.0% in Q1, underperforming the iShares Core Canadian Universe Bond Index ETF, which returned +0.2% over the same period. Markets were volatile throughout the quarter as shifting interest rate expectations and geopolitical developments drove significant moves in government bond yields. Yields declined in January and February amid risk-off sentiment, before rising sharply in March on an oil price shock and renewed inflation concerns. The Fund's performance reflected active duration management and credit selection. Longer duration positioning supported returns in February as yields declined, while a shorter duration stance in March helped mitigate the impact of rising yields. The key detractors were our overweight to corporate credit and exposure to U.S. corporate issuers, as US corporate spreads underperformed Canadian corporate spreads.

Key Contributors

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

- Canadian corporate bonds were broadly wider as both interest rate yields and corporate credit risk widened. Overweights in Energy and Utilities contributed positively, particularly later in the quarter.
- SLC Management Short Term Private Fixed Income Plus Fund was a positive contributor returning +0.7% year-to-date.
- We opted to carry a higher cash balance, which contributed to the portfolio's defensiveness of the portfolio on a relative basis.

New Positions / Exits

We used Q1's active primary market to manage risk and add selectively when valuations were attractive:

- Stayed selective in new issues amid heavy U.S. dollar supply, focusing on deals with meaningful new issue concessions and strong fundamentals.
- Reduced exposure to higher-beta names earlier in the quarter, and during the March volatility added exposure to defensive businesses including Enbridge, BCE Inc., and Dollarama.
- Maintained elevated liquidity and a shorter duration profile relative to the universe so we can respond quickly to any dislocations.

Our Thoughts On:

The Market

Canadian fixed income markets were shaped by a combination of macroeconomic uncertainty, geopolitical risks, and evolving interest rate expectations over the quarter. Interest rate volatility increased materially, as markets shifted from pricing rate cuts early in the year to potential rate hikes by March. Government bond yields became increasingly sensitive to both inflation data and geopolitical developments. Risk-off sentiment dominated in February, driven by concerns around economic growth and labour market resilience, fears of AI-related job displacement, and weakness in private credit markets that contributed to spread widening. In March, escalating geopolitical tensions in the Middle East triggered an energy price shock, further raising inflation concerns and pushing yields higher. Technical factors also remained important, with elevated corporate issuance expected to persist, driven by AI-related capital expenditures, refinancing needs, and ongoing merger and acquisition activity.

- We expect primary markets to remain active as AI capital expenditure, refinancing needs, and M&A financing keep issuance elevated.
- Risks to Canadian yields have become more two-sided; we are closely monitoring the longer term effects of higher energy prices and labour market tightness.
- Policy and headline volatility remains a key risk, And sector dispersion may increase if conflict in the Middle East is prolonged.

The Fund

The 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 in particular—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 input cost pressure from higher energy prices.
- Valuations have improved slightly but remain generally expensive, so we are participating in primary markets only when pricing offers adequate compensation, particularly during periods of heavy supply.
- Market technicals remain strong. Inflows and re-investment supported supply in Q1, and we expect this to persist for the next several quarters.

We have been deploying cash into weakness while continuing to hold elevated liquidity. We aim to preserve flexibility to deploy further 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 March 31, 2026

Nicola Managed Portfolio	Security Name	Weight
Canada Housing Trust	CANHOU 2.85% 15 JUN 2030 126	2.4%
TC Energy Corporation	TRP CCP 0 04/30/26	1.7%
Granite REIT	GRTCN Float 12/11/26	1.6%
Allied Properties REIT	APUCN FRN 07 APR 2027	1.5%
CI Financial Corp.	CIXCN 6.0% 20 SEP 2027	1.5%
Emera Incorporated	EMACN 6.75% 15 JUN 2076 16-A	1.4%
Equitable Bank	EQBCN BDN 0 07/16/26	1.4%
Atlas Warehouse Lending Company, L.P.	ATWALD 4.625% 15 NOV 2028	1.4%
TC Energy Corporation	TRP CCP 0 05/07/26	1.4%
CI Financial Corp.	CIXCN 4.75% 03 APR 2028	1.3%
Total		**15.7%**

Total may differ slightly due to rounding of individual holdings.

[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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