Nicola High Yield Bond Fund
Quarterly Report | Q1 2026

NICOLA WEALTH
PUBLIC ASSETS

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

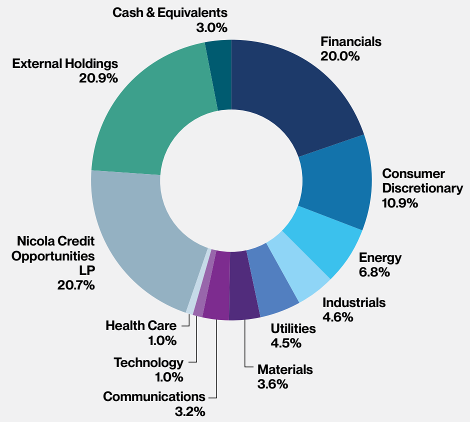
Attractive yield – Seeks to provide higher income than traditional fixed-income investments.

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

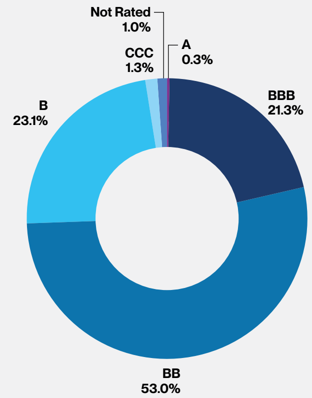
Defensive high-yield strategy – The Fund focuses on high yield and looks for market dislocations to apply an opportunistic, bottom-up approach to seek better risk-adjusted returns.

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 March 31, 2026



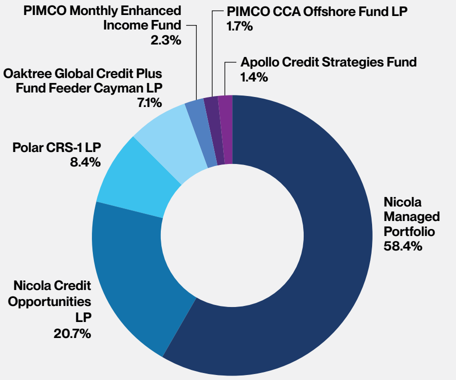
HOLDINGS BY CREDIT RATING as of March 31, 2026



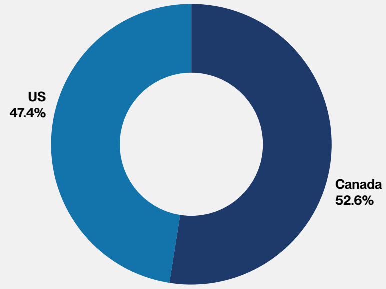
Bond Characteristics

Gross Yield[1]	6.9%
Average Term to Maturity (credit only)	3.3yrs
Average Credit Rating	BB
Duration[2]	2.7yrs
Number of Holdings	83

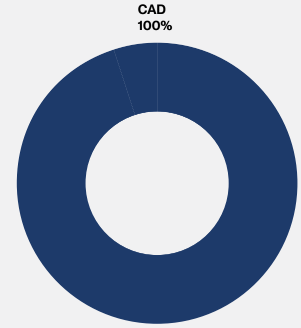
HOLDINGS BY ASSET MIX as of March 31, 2026



HOLDINGS BY GEOGRAPHY as of March 31, 2026



HOLDINGS BY CURRENCY EXPOSURE (net hedged) as of March 31, 2026



Returns as of March 31, 2026	CAD	USD
YTD	**-0.8%**	**-0.3%**
1 month	**-1.3%**	**-1.0%**
3 month	**-0.8%**	**-0.3%**
6 month	**0.3%**	**1.3%**
1 year	**4.5%**	**6.5%**
3 year	**7.1%**	**5.7%**
5 year	**5.6%**	**3.2%**
10 year	**6.4%**	**5.5%**
Since Inception*†	**7.2%***	**3.1%†**
	*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 (CAD) returned -0.8% outperforming the iShares U.S. High Yield Bond Index ETF (CAD-Hedged), which returned -0.9%. Yields in the high yield bond universe surged to close near the highest level in more than 10 months by the end of March. The fund's overweight to Canadian High Yield, higher ratings credit, and energy-related bonds proved resilient and helped offset the headwinds faced in the U.S. High Yield space, where both yields and credit spreads widened.

Key Contributors

- Positive contributions from issuers such as Vermilion Energy and Moss Creek Resources. These companies benefited from higher oil prices and an improved cash flow outlook amid geopolitical risk. Trading activity in energy bonds during periods of volatility generated incremental gains.
- Canadian denominated high yield performed well as we focused on issuers that have resilient business models with relatively less negative exposure to the supply chain issues caused by turmoil in the Middle East.
- 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.
- Nicola Credit Opportunities Fund, which is 18% of the High Yield Bond Fund, outperformed, returning +0.1% in Q1 due to owning higher rated bonds and having less interest rate exposure.

New Positions / Exits

- Canadian High Yield new issuance was active in the beginning of the quarter, and we selectively engaged in names where we thought valuation was more compelling, such as Artemis Gold and Top Aces.
- Maintained a carry portfolio with a higher-quality bias through the quarter, adding to issuers with durable business models such as Rogers Communications Inc and BCE Inc corporate hybrids.
- Selectively re-entered the Software sector with a focus on resilient business models such as OpenText Corporation, a corporate data solutions provider we believe is well-positioned to demonstrate resilience amid AI disruption.

Our Thoughts On:

The Market

- Early in Q1, risk sentiment was influenced by concerns around consumer credit deterioration and AI-driven disruption, particularly in software and financial intermediaries.
- Geopolitical tensions in the Middle East created an energy price shock that resulted in a renewed focus on inflation. Higher energy prices are having downstream impacts including pressure on transportation, packaging, and consumers. Against that backdrop, market expectations for the Federal Reserve shifted from pricing over two rate cuts to just half a rate cut.
- High yield credit spreads widened from 2.8% to a peak of 3.5% before recovering back to 3.3% by the end of March.

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 dispersion, presenting attractive idiosyncratic opportunities. Not all opportunities are attractive as we are sensitive to trade policy and supply-chain disruptions.
- While markets have been resilient, valuations have improved but still offer limited cushion against negative surprises, making selectivity and risk management more important than ever. The portfolio remains nimble and tactical to take advantage of dislocations.
- Technicals were mixed, with demand outstripping supply in the high yield market through the first two months of the quarter. In March, outflows in the U.S. high yield space added pressure amid a global risk-off environment. The Fund maintains elevated liquidity to capitalize on potential future market dislocations.

We expect active management to remain essential as the market navigates geopolitics, policy risks, and credit-specific volatility. Though risks are elevated, we believe the dispersion in the fixed income market continues to offer pockets of opportunity for compelling risk-adjusted returns.

Top 10 Holdings as of March 31, 2026

Nicola Managed Portfolio	Security Name	Weight
Navient Corporation	NAVCOR 7.25% 01 OCT 2033	1.6%
PennyMac Financial Services, Inc.	PFSI 6.875% 15 MAY 2032 144A	1.1%
Bell Canada	BCECN FRN 12 MAY 2056 E	1.0%
Ardonagh Group Finance Ltd.	ARDGRP 8.875% 15 FEB 2032 144A	1.0%
iShares U.S. High Yield Bond Index ETF	ISHARES U.S. HIGH YIELD BOND	1.0%
Encore Capital Group, Inc.	ECPG 6.625% 15 APR 2031 144A	0.9%
Canadian Utilities Limited	CUFCN 7.8% 18 DEC 2027	0.9%
Ardonagh Group Finance Ltd.	ARDGRP 7.75% 15 FEB 2031 144A	0.8%
Beacon Roofing Supply, Inc.	BECN 6.75% 30 APR 2032 144A	0.8%
Jane Street Group, LLC	JANEST 6.75% 01 MAY 2033 144A	0.8%
Total		**9.9%**

[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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