Nicola Private Debt Fund
Quarterly Report | Q2 2026

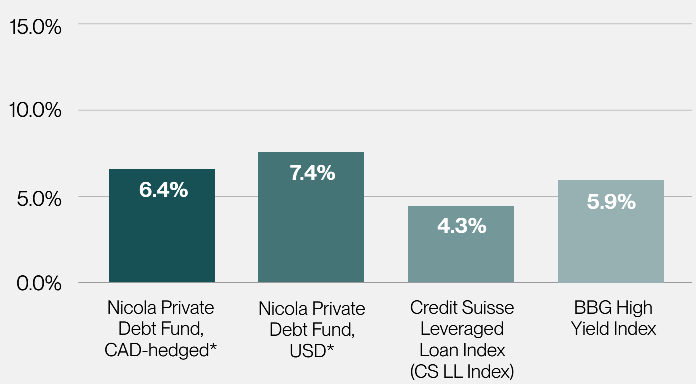
Objective

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

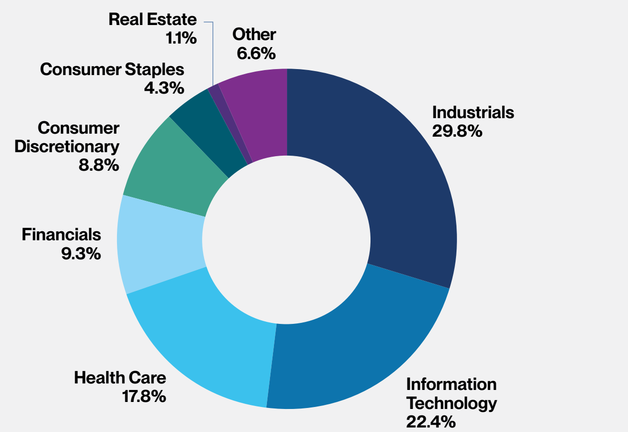
The Fund combines direct investing in private debt, and a fund-of-funds approach with the objective of earning an attractive premium above the returns of publicly traded, non-investment-grade fixed income securities. The Fund diversifies across managers, regions, industries and strategies, and the portfolio 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 June 30, 2026



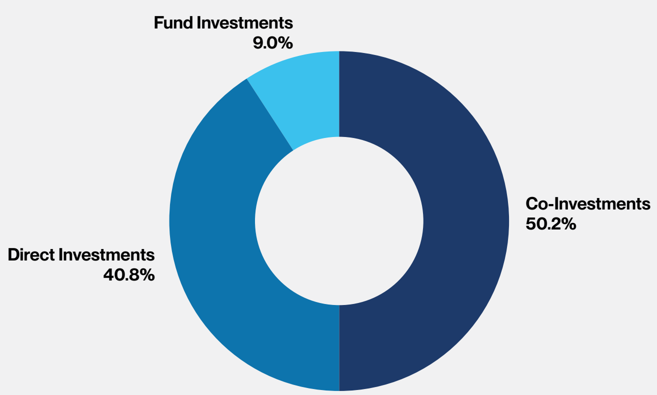
** Net Returns*

INVESTMENTS BY SECTOR
as of June 30, 2026*



** Based on AUM*

INVESTMENTS BY TYPE
as of June 30, 2026*



** Based on AUM*

Returns for the period ENDING as of June 30, 2026

	USD	CAD
QTD	**1.1%**	**0.9%**
YTD	**2.8%**	**2.4%**
1 year	**7.4%**	**6.4%**
3 year	**8.6%**	**7.9%**
5 year	**–**	**7.6%**
10 year	**–**	**–**
Since inception*	**7.8%**	**7.4%**

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

Performance

In Q2 2026, the Fund's CAD unit class returned +0.9% bringing the one-year net return to 6.4%, while the USD unit class returned +1.1%, bringing the one-year return to 7.4%. Recent performance has been driven by:

1. Contractual cash interest income from the Fund's direct and co-investments which made up 40.8% and 50.2%, respectively, of the portfolio as of the end of Q2 2026.
2. The Fund's 97% allocation to floating-rate loans, has provided an opportunity for incremental return amid elevated interest rates.
3. Duration-related impacts from new loan spreads widening across the market, which resulted in temporary unrealized valuation markdowns on existing loan portfolios across the direct lending market, including Nicola PDF.

Approximately 97% of the Fund's underlying investments are denominated in U.S. dollars. The Fund utilizes currency hedging to hedge 97% of the USD currency exposure attributable to the CAD unit class.

The approximate current gross levered yield on the Fund's investment portfolio was 11.3% as of the end of Q2 2026.

The Fund has generated a 9.1% distribution yield over the last twelve months, in line with its target distribution.

Gross Asset Value reached CAD 2.7 billion at the end of Q2 2026 (CAD 1.6 billion in net assets) and increased 23% over the last year.

New Investments & Realizations

The Fund reviewed 37 new opportunities in Q2 2026 and ultimately invested CAD 23 million across three new investments and incremental capital calls from existing investments. Select details regarding certain new investments made during Q2 2026 are set out below:

Project Riviera
Senior Credit Facilities

What they do: A specialty pharmacy and infusion services provider catering to patients with complex, chronic conditions in the home-based and ambulatory infusion suite settings.

The Fund realized four investments in Q2 2026, totaling CAD 44 million, and achieved a weighted-average gross IRR of 11% and MOIC of 1.2x.

Our Thoughts On:

The Market

The second quarter saw a slowdown in media coverage surrounding credit quality in private credit, but redemptions among the largest private BDCs continued to feature prominently in financial headlines. Non-traded BDC redemption requests averaged 10.3% of shares (vs. 9.7% in Q1), with 10 of 16 BDCs exceeding the 5% quarterly redemption cap[1]. For example, Blackstone's Private Credit Fund (BCRED) saw requests near 10%, while continuing to honour its contractual 5% limit of NAV per quarter[2]. Other Managers continued to honour liquidity at 5% of NAV per quarter in line with each Fund's quarterly redemption cap.

Importantly, redemption caps are a structural feature designed to protect investors from forced asset sales during periods of elevated withdrawals. They also enable private credit managers to invest in less liquid loans that may offer higher returns than liquid high-yield bonds and broadly syndicated loans over the medium to long-term.

The key question remains: How long will this BDC redemption cycle persist?

Based on a precedent, we expect it could take approximately 12 to 18 months for BDC managers to clear excess redemption demand. A useful comparison is Blackstone Real Estate Income Trust ("BREIT"), which experienced elevated redemption requests beginning in Q4 2022 and peaking at approximately 20% of NAV. BREIT honoured its contractual redemption limits and ultimately satisfied all redemption requests over a 14-month period, after which redemption activity normalized below the 5% quarterly threshold.

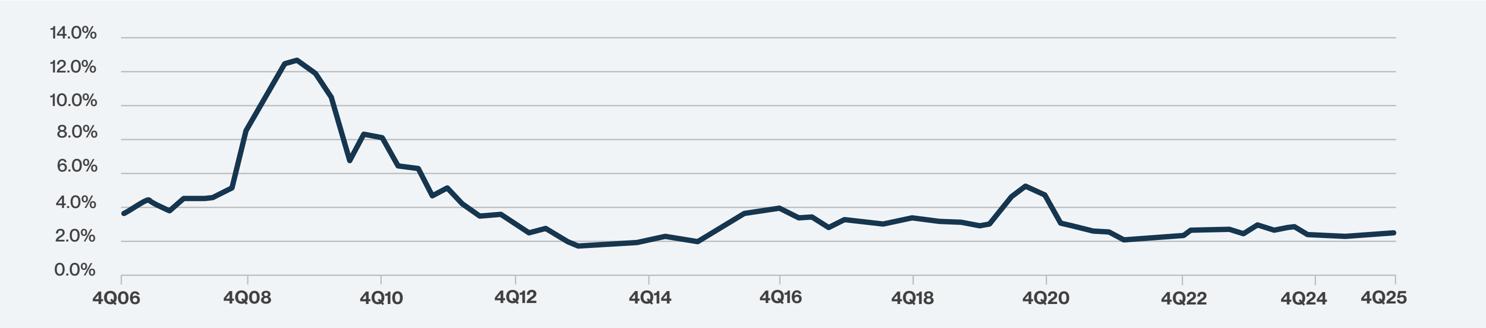
Applying a similar framework, iCapital[3] estimates that elevated redemption activity within private BDCs could persist for approximately three to five additional quarters before normalizing.

Importantly, there are two factors that, in our view, leave private credit much better positioned today than BREIT was during its redemption cycle.

1. **Overall credit quality is intact (with manager-specific exceptions).** Redemptions are sentiment driven rather than credit-performance-driven. Non-accruals, a leading indicator of credit stress, have remained around historical averages in the public BDC space, which is a close proxy for non-traded BDCs[4]. Astute investors may question why Q1 returns were soft. The BDC space broadly experienced NAV declines of approximately 2.5% in Q1. The decline was duration impact from widening new loan spreads across the market, which drove temporary unrealized valuation markdowns on existing loan portfolios that have historically reverted to par over time. Credit spreads held firm in Q2, so we expect minimal spread-driven price impact for the balance of 2026.

[1] *Fitch. https://www.fitchratings.com/research/corporate-finance/elevated-redemptions-persist-for-perpetually-non-traded-bdcs-07-07-2026*
[2] *Blackstone. https://www.bcred.com/non-us-investors/*
[3] *iCapital. https://icapital.com/insights/investment-market-strategy/bdc-redemptions-looking-beyond-the-gates/*
[4] *Raymond James. Business Development Company Weekly. July 6, 2026.*

BDC non-accruals (at fair value) as a percentage of total portfolio (Q1 2026)



2. **Strong cash generation.** Income-producing loans with contractual maturities generate significantly more natural liquidity than the real estate assets held by BREIT. With a typical loan life of three to five years, roughly one-quarter to one-third of a healthy direct lending portfolio refinances each year. This provides an additional source of liquidity that allows managers to fund redemptions up to 5% of NAV per quarter, supplemented by 8-10% loan yields driving consistent income distributions.

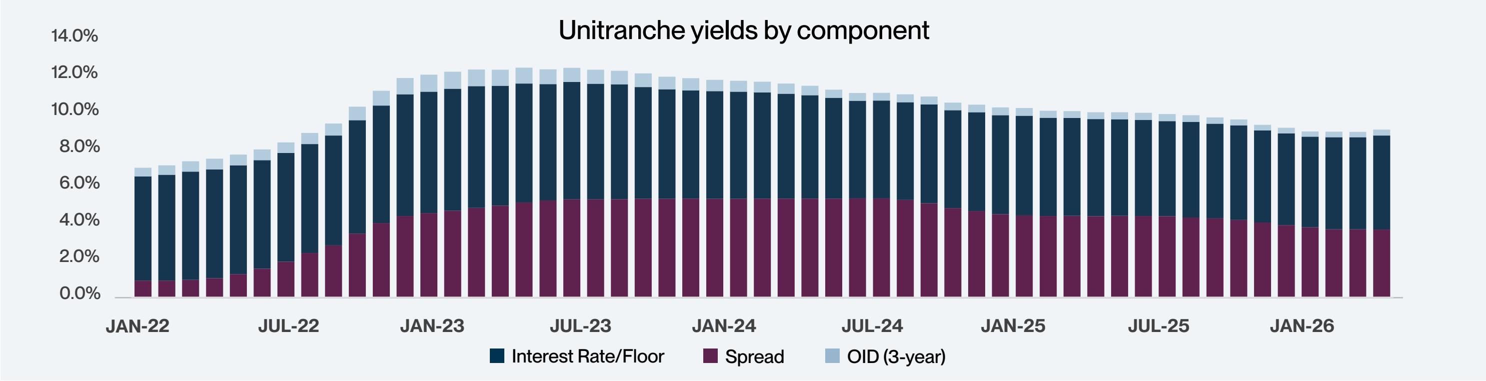
Encouragingly, new redemption requests declined for many BDCs over Q2. Much of Q2's redemption activity reflected prior-quarter resubmissions (two-thirds at Ares' ASIF) related to requests that exceeded the Q1 cap. At the same time, June fundraising increased even as redemption queues remained elevated. Other BDC's saw a decline, including Goldman Sachs' GSCP saw 3.24% in redemptions in Q2[5]. Notably, following a detailed review, the Fed called BDC redemption risk "limited and manageable"[6].

Finally, the case for "higher-for-longer" interest rates strengthened in Q2, a tailwind for direct lending as a floating-rate asset class. The Fed held rates at 3.50% to 3.75% amid stubborn inflation, with markets pricing in one to two 0.25% hikes over the balance of 2026 (versus one cut expected the prior quarter)[7]. Direct lending spreads also widened 0.25 to 0.50% in Q1 to levels above the SOFR + 500bps area[8], before holding steady in Q2. As a result, new investments in senior direct lending are generating unlevered yields of 9% to 10%, with the potential for upside should the Fed raise rates further.

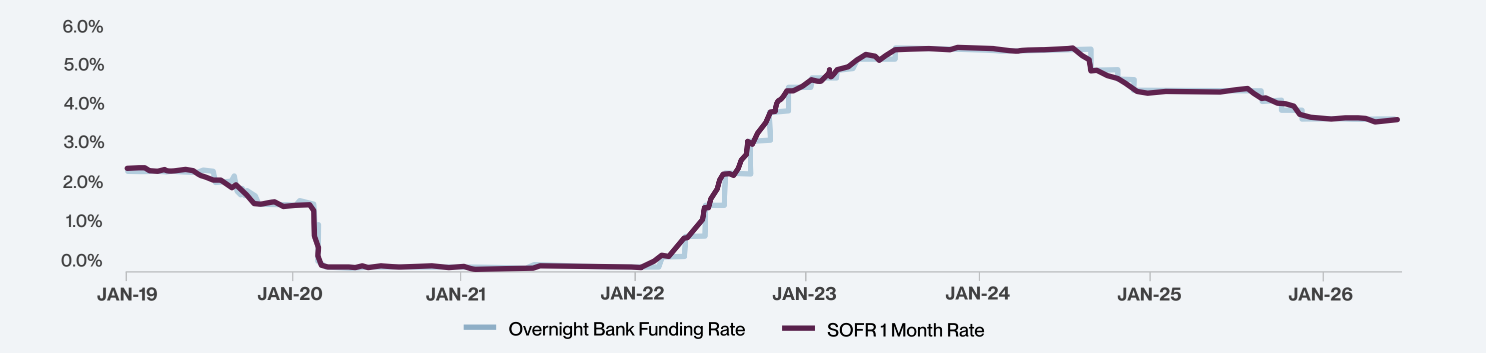
Overall, the first half of 2026 was a sentiment stress test for the asset class, not a systemic portfolio stress test. We do expect dispersion across managers and individual credits, which makes manager and credit selection as critical as ever.

We believe private credit's long-term value proposition—generating a long-term return premium over liquid high-yield bonds and leveraged loans in exchange for reduced liquidity—remains firmly intact.

Direct Lending Yields



Base Rates



[5] *U.S. News (by Reuters). https://money.usnews.com/investing/news/articles/2026-07-01/goldman-private-credit-fund-escapes-redemption-pressure-again*
[6] *Bloomberg. https://www.bloomberg.com/news/articles/2026-05-08/fed-calls-risks-tied-to-private-credit-redemptions-manageable*
[7] *Bloomberg.*
[8] *Hamilton Lane. https://www.hamiltonlane.com/en-us/insight/private-credit-focus*

The Fund

From an underwriting perspective, we believe the Fund's broad and diverse investment pipeline, thorough due diligence process, and careful investment selection continue to play a critical role in positioning the portfolio through 2026. Key characteristics we seek in borrowers include a clear competitive advantage, low capital intensity, a diversified customer and supplier base, a recurring revenue model with strong margins, an 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 more than USD 15 million of EBITDA. The Fund's weighted-average borrower-level EBITDA across direct and co-investments exceeds USD 100 million. We lend to profitable, market-leading companies that have scale and staying power to perform through the cycle.

The Fund takes a diversified investment approach and holds 138 loans in the portfolio, with no single direct investment accounting for more than 2.0% of AUM. Our investment team believes diversification is a key element of a well-positioned portfolio of yield-oriented credit investments.

The Fund's core focus remains senior secured debt investing to provide downside protection given the high degree of uncertainty in the macroeconomic environment.

Other Q2 2026 Resources

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

Articles: Separating Signal from Noise in Private Credit

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	1.6%	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 Tornado	1.4%	Senior Credit Facilities to a provider of trenchless water and wastewater infrastructure rehabilitation products and services.
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 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	1.2%	Senior Credit Facilities to a provider of managed IT services including managed desktop, cyber security and cloud management services.