Nicola Private Equity Limited Partnership Quarterly Report | Q2 2026

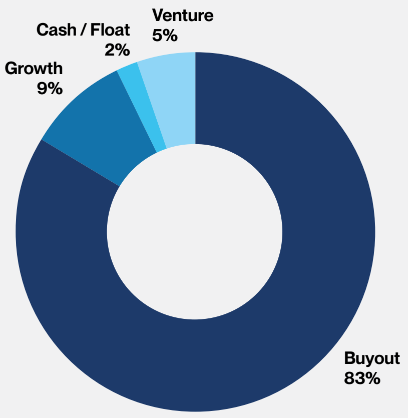
Objective

The primary objective of the Nicola Private Equity Limited Partnership ("Nicola PELP" or the "Fund") is to generate long-term capital growth by investing in a diversified portfolio of private equity ("PE") investments. The Fund aims to achieve this objective by combining co-investments and investments in funds, focusing on value creation over the long-term.

Strategy

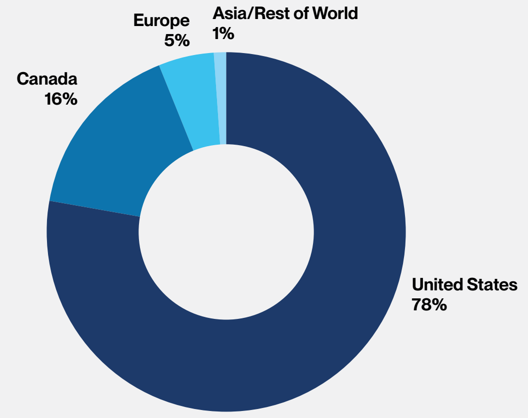
Nicola PELP's investment strategy is primarily buyout investments, which means investing in control stakes in cash-flowing companies, focusing on well-established, resilient businesses. The Fund aims to generate strong long-term returns by partnering with PE funds with established track-records and by co-investing in attractive direct PE opportunities alongside these partners. The Fund also selectively invests in PE secondary and growth equity opportunities. The Fund aims to diversify its investments across sectors, geographic regions, company sizes, and vintages.

INVESTMENTS BY STRATEGY
as of June 30, 2026

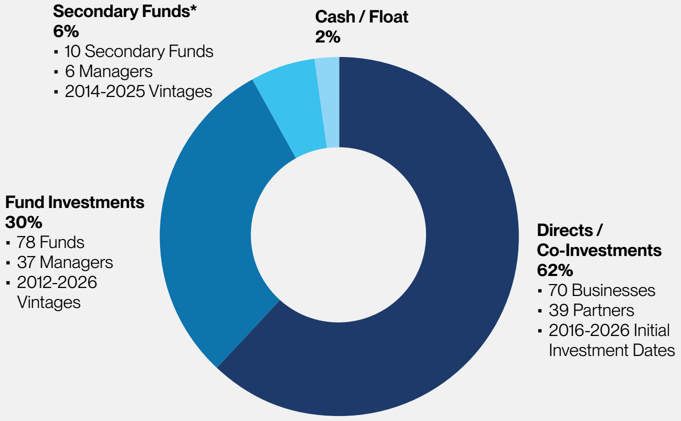


May not add to 100% due to rounding

INVESTMENTS BY GEOGRAPHY
as of June 30, 2026



INVESTMENTS BY TYPE
as of June 30, 2026



** Secondary includes LP Baskets and Secondary Closed-Ended Funds*

Returns for the period ENDING as of June 30, 2026

	USD	CAD
QTD	**1.2%**	**2.6%**
YTD	**3.8%**	**6.3%**
1 year	**9.8%**	**12.6%**
3 year	**–**	**9.7%**
5 year	**–**	**9.5%**
10 year	**–**	**10.7%**
Since inception*	**8.4%**	**9.0%**

* May 31, 2012 for CAD series. June 28, 2024 for USD series.

Performance

Given PE is a long-term asset class, the Fund is focused on maximizing returns over a 5+ year investing horizon. Over the last 5- and 10-year periods, the Fund has delivered annualized returns of 9.5% and 10.7%, respectively (both in CAD).

In Q2 2026, the Fund returned 2.6% (CAD) / 1.2% (USD), bringing LTM returns to 12.6% (CAD) / 9.8% (USD). Constant currency returns were stable, and FX contributed an additional 1.8% for the CAD class during Q2 2026, and 3.0% YTD.

Performance during Q2 2026 was driven by valuation increases in the following:

- **FLC Co-Investment Fund V:** The flagship co-investment fund of Fisher Lynch Capital that invests in buyout opportunities across the United States.
- **Project Bloom:** A designer, manufacturer, and supplier of innovative packaging products for the floral and potted plant industry that has consistently delivered positive operating performance, achieving year-over-year revenue and adjusted EBITDA growth of 29% and 39%, respectively.
- **Project Inbox:** A domain infrastructure operator that manages and secures hundreds of internet domain extensions and continues to outperform underwriting expectations through strong operational execution.

Performance was also impacted by a write-down in each of the following investments:

- **FLC Direct Fund:** A discretionary separately managed account vehicle with Fisher Lynch Capital.
- **Project Sky:** An IT services firm specializing in secure, compliant cloud computing and data management solutions.
- **Project Horizon:** A specialized recruiting firm that connects top-tier IT consultants with leading organizations.

Total Fund net assets were CAD 1.4 billion at the end of Q2 2026, compared to CAD 1.2 billion at the end of Q2 2025 (11% growth in net assets).

New Investments & Realizations

During Q2 2026, Nicola PELP deployed CAD 32.5 million, including CAD 16.3 million in co-investments. In Q2 2026, we received 39 co-investment opportunities, evaluated three of those opportunities, and closed on two opportunities.

New direct co-investment funded during Q2 2026:

- **Project Nexus:** A leading provider of water and wastewater services for municipalities in the U.S. and Canada. Nexus is a tech-enabled provider of mission critical services, with predictable revenues and in our view is well-positioned for continued growth. Our partner on this investment is a highly-experienced GP with a strong track record in infrastructure services.
- **Project Coat:** A provider of highly engineered mission critical coating solutions for commercial and military aerospace engine applications and other industrial end markets. Coat holds 130+ certifications that create high barriers to entry and make it the sole approved supplier for the majority of its largest customers, resulting in strong customer retention. Our partner on this investment is a GP with a strong track record in aerospace and defense.

Recent Developments

The Market

Private equity moved through the first half of 2026 with a recovery once again deferred, as a new set of market disruptions weighed on activity. After entering the year with improving momentum in Q1 2026, dealmaking slowed again amid a combination of macro and industry-specific shocks, including geopolitical uncertainty, stress in private credit, and dislocation in technology markets driven by AI. As a result, investments, exits, and fundraising all softened in the first half of 2026, and liquidity remains the industry's primary constraint.

While transactions continue to clear, particularly for high-quality assets, activity remains highly selective. The slowdown has been broad-based, with some sectors experiencing sharper pullbacks. For example, technology deal value declined approximately 70% from Q4 2025 to Q1 2026, reflecting heightened uncertainty around AI's impact on future business models.

Exit activity has yet to meaningfully accelerate, leaving distributions to LPs near historically low levels following a four-year stretch of subdued payouts relative to NAV. As a result, holding periods have extended to ~7 years, well above long-term norms, and a significant portion of portfolio companies acquired in 2021 or earlier remain unrealized. According to Partners Group, trailing 12-month distribution yields as a percentage of NAV for buyout funds over the past two to three years have been 10-15%, far below the ~25%+ long-term average through the cycle.

Despite the near-term slowdown, we believe that there are early signs that conditions are gradually setting up for a more durable recovery. Debt markets are open and functioning and the industry continues to sit on significant dry powder, suggesting that it would not take much to reaccelerate more meaningful deal activity once uncertainty stabilizes. Importantly, the pressure to return capital to investors is building, and firms are increasingly focused on driving exits and distributions. While timing remains uncertain, even a modest normalization in exit markets could materially improve liquidity, which remains well below historical averages. For long-term investors, this environment may prove constructive: as capital is gradually returned and reinvested, patient investors with exposure to high-quality managers are well positioned to benefit from improving liquidity conditions and a renewed cycle of value realization

The Fund

Nicola PELP enters 2026 stable, with continued positive performance momentum building alongside a gradually improving PE backdrop. Reflecting the broader industry trend toward slowly reopening exit markets, the Fund completed two large exits in Q1 2026, generating approximately CAD 100 million of liquidity and positive realized returns. Importantly, these exits were completed at valuations above prior carrying values. These realizations build on momentum from 2025 and reinforce our view that exit activity is gradually improving.

Building on the successful exits completed in Q1 2026, we are also exploring secondary sales as a tool to generate liquidity and further enhance portfolio construction. This includes selectively reducing exposure to lower-returning or non-core positions and reallocating capital toward higher-conviction investments alongside our top-tier partners. Over time, we believe this approach will improve overall portfolio quality and support stronger long-term return outcomes for the Fund.

In the current environment, generating liquidity has become an increasingly important focus. Realizations not only return capital to investors but also allow us to redeploy into a growing pipeline of high-quality opportunities, supporting continued vintage diversification and long-term return generation. Given the opportunity-rich backdrop in private equity as the market recovers, maintaining this capital recycling dynamic is a key priority.

On the deployment side, the Fund has remained highly disciplined and selective, reflecting elevated uncertainty in specific areas. We have been particularly cautious with new co-investment deployment, especially within software and technology-enabled businesses where the pace of change around AI is creating greater dispersion in outcomes. In addition, ongoing geopolitical risks, including the conflict in the Middle East, have reinforced our focus on conservative underwriting and resilient business models. We continue to evaluate a high volume of opportunities but are prioritizing only those investments where risk-adjusted returns are compelling under a range of macro scenarios.

Strategically, the Fund has made important progress in achieving greater global diversification while maintaining a high bar for partner selection. During the past year, we completed partner selection decisions in both Europe and Asia, following extensive due diligence and relationship-building. Looking ahead, we plan to deepen our exposure to Europe, targeting 15-20% of Fund NAV in that region over the next several years. These markets offer differentiated deal flow and compelling return opportunities, complementing our North American base. As always, our approach in these new markets is partnership-centric: building long-term alignment with top-tier PE partners, then selectively co-investing in high-conviction direct opportunities alongside them.

Top 10 Holdings

Investment	%AUM	Strategy	Description
FLC Direct Fund	6.1%	Co-Investment	An SMA partnership with Fisher Lynch Capital which focuses on pursuing buyout opportunities in the United States
FLC Co-Investment Fund V	5.5%	Fund	An investment in Fisher Lynch Capital's Fund V which focuses on pursuing buyout opportunities in the United States
Project Avon	4.0%	Co-Investment	An investment in a US healthcare services company
FLC - NW Co-Investment Fund V	3.9%	Fund	A semi discretionary investment vehicle with Fisher Lynch Capital which focuses on pursuing buyout opportunities in the United States
Micross Components	3.9%	Co-Investment	A global provider of specialty electronic components, servicing high-reliability markets
Project Hubble	3.2%	Co-Investment	An enterprise software provider in cloud, data, integration, and digital workspaces
Project Minerva	2.9%	Co-Investment	A global network of premium international schools
Project Bloom	2.8%	Co-Investment	A designer, manufacturer, and supplier of innovative packaging products primarily for the floral and potted plant industry
Project Azalea	2.6%	Co-Investment	A provider of comprehensive environmental solutions, specializing in waste management services based in the Southeastern U.S.
Project Uno	2.5%	Co-Investment	A national provider of insurance brokerage and consulting services