NICOLA WEALTH
PUBLIC ASSETS

Nicola Bond Fund
Quarterly Report | Q2 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.

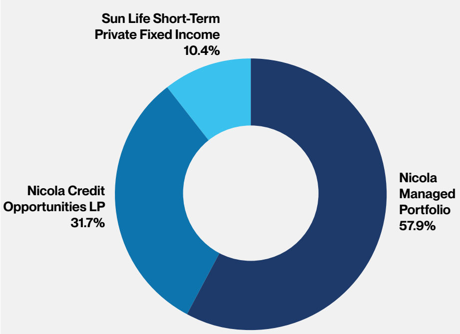
Highlights

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

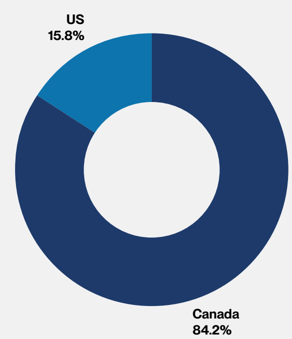
Capital preservation –The manager takes a conservative investment approach focused on managing interest rate, credit, and downside risk.

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 June 30, 2026



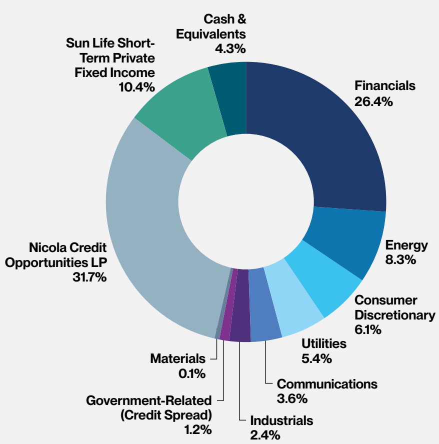
HOLDINGS BY GEOGRAPHY
as of June 30, 2026



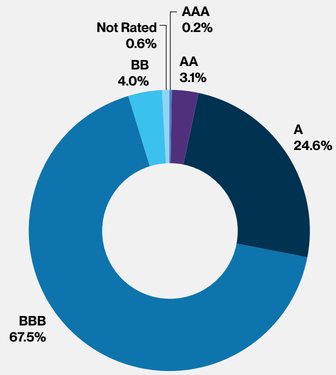
Bond Characteristics

Gross Yield[1]	4.0%
Average Term to Maturity (excluding futures, credit only)	5.2yrs
Average Credit Rating	BBB
Duration[2]	5.0yrs
Number of Holdings	111

HOLDINGS BY SECTOR
as of June 30, 2026



HOLDINGS BY CREDIT RATING
as of June 30, 2026



Returns as of June 30, 2026	
YTD	**1.7%**
1 month	**0.7%**
3 month	**1.6%**
6 month	**1.7%**
1 year	**4.2%**
3 year	**6.7%**
5 year	**4.7%**
10 year	**4.6%**
Since inception*	**4.0%**

**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 +1.6% in Q2 and +1.7% year-to-date. In comparison, the iShares Core Canadian Universe Bond Index ETF returned +2.0% in Q2 and +2.2% year-to-date. The iShares Core Canadian Short-Term Bond Index ETF returned +1.2% in Q2 and +1.4% year-to-date.

The quarter was constructive but choppy for Canadian fixed income. Government bond yields were pushed higher early in the quarter by sustained oil prices and Middle East–driven inflation concerns, before easing later in the quarter as those shocks proved episodic rather than systemic. Interest rate volatility and heavy corporate supply were recurring themes throughout. The Fund's credit selection supported returns, though its lower overall interest rate duration relative to iShares Core Canadian Universe Bond Index ETF was the primary detractor as longer-dated interest rates outperformed.

Key Contributors

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

- Subordinated bank debt, REITs and autos exposure, including Ford and GM, were consistent contributors, supported by strong all-in yields as these higher-beta sectors outperformed. Shorter-tenor senior bank debt added value as well late in the quarter as long-end issuance picked up, resulting in a steepening of corporate credit curves.
- The Fund's shorter-duration corporate credit generally held up well against a backdrop of heavy long-end issuance, and short-dated corporate spreads continued to offer good relative value versus longer paper.
- The Nicola Credit Opportunities sleeve, which represents 30% of the Fund, was a top contributor as it provided steady carry income and benefited from the rally in credit spreads during the first half of the quarter.

New Positions / Exits

We used Q2's active primary market to add risk earlier in the quarter and later shifted to a more cautious stance as hyperscaler issuance resulted in market indigestion.

- We increased exposure to Canadian longer-term rates relative to shorter-term rates following their relative underperformance, while keeping over-all interest rate duration broadly unchanged at approximately 4.9 years.
- We increased exposure to mid-duration large banks and insurers during the latter half of the quarter as credit curves steepened and reduced exposure to shorter-dated financials.
- We initiated positions in AA and A rated longer-duration securities such as provincial bonds and Hydro One, an Ontario electricity transmission and distribution utility, where heavy long-end issuance created a more pronounced market reaction. The position remains relatively small as we may see further curve steepening.
- We reduced the Fund's position in the external Sun Life Short-Term Private Fixed Income Plus Fund.

Our Thoughts On:

The Market

Canadian fixed income markets were shaped over the quarter by a combination of geopolitical risk, moderating energy inflation expectations and shifting central bank expectations. Government of Canada yields rose early in the quarter as the Bank of Canada's Monetary Policy Report struck a more hawkish tone amid higher oil prices, before drifting lower as core inflation remained close to the 2% target.

The Government of Canada 10-year yield finished June at 3.38%, slightly lower than 3.47% at the end of March. The Bank of Canada held its policy rate at 2.25%, and while a tentative U.S.–Iran ceasefire late in the quarter helped calm energy markets, the Federal Reserve, under new Chair Kevin Warsh, struck a more hawkish tone and projected potential rate hikes by year-end. Canadian investment-grade spreads ended June at 0.86%, tightening by 0.08% during the quarter, supported by firm demand despite higher issuance.

- We expect primary markets to remain active as elevated corporate supply, refinancing needs, and M&A financing persist. The fund stayed selective amid record corporate supply, participating in new issues only where concessions and fundamentals were compelling. June's Canadian corporate issuance of $34 billion was more than double the 5-year average of $16.3 billion and surpassed the previous monthly high of $30.4 billion in March 2022.
- Canadian rates remain subject to two-sided risks: markets continue to price in some probability of a hike by December, keeping the front end anchored but sensitive to inflation data and economic growth.
- Policy and headline volatility remain key risks, particularly around U.S. trade policy, energy prices and developments in the Middle East.

The Fund

The Fund remains defensively positioned, with an emphasis on high-quality issuers and shorter-dated maturities. With the Bank of Canada on hold, energy inflation moderating but unresolved, and valuations still stretched, we continue to favour corporate credit in defensive and structurally supported industries.

Our strategy includes:

- From a fundamental standpoint, corporate earnings remain resilient. We continue to monitor the effects of trade uncertainty and AI-related disruption on a highly leveraged Canadian consumer, particularly given the uneven pressures of a K-shaped economy.
- Valuations are expensive but remain most attractive in corporate credit in the belly of the curve within defensive, structurally supported sectors. We prefer higher-yielding shorter-duration paper where overall yields remain attractive relative to risk.
- The technicals remain strong as Canadian bonds continue to see steady inflows, although we expect issuance picking up in the second half of the year. We are staying active in primary markets only when pricing offers adequate compensation, particularly during periods of heavy supply. We continue to hold government bonds, preserving flexibility to redeploy capital if volatility creates better entry points.

We remain focused on disciplined risk management and will continue to adjust exposure as opportunities arise.

Top 10 Holdings as of June 30, 2026

Nicola Managed Portfolio	Security Name	Weight
Allied Properties REIT	APUCN FRN 07 APR 2027	1.5%
Government of Canada	CAN 3.5% 01 DEC 2045	1.5%
Atlas Warehouse Lending Company, L.P.	ATWALD 4.625% 15 NOV 2028	1.5%
CI Financial Corp.	CIXCN 6.0% 20 SEP 2027	1.5%
Sagicor Financial Company	SFCCN 6.359% 20 JUN 2029 REGS	1.4%
Wolf Midstream, Inc.	WOLFMC 6.4% 18 JUL 2029 REGS	1.3%
CI Financial Corp.	CIXCN 4.75% 03 APR 2028	1.3%
Société Générale	SOCGEN 4.25% 19 AUG 2026 144A	1.3%
Dream Summit Industrial LP	DRSILL FRN 04 MAR 2028 G	1.2%
BPC Generation Infrastructure Trust	BPCGEN 3.795% 29 SEP 2030	1.0%
Total		**13.5%**

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.

This material contains the current opinions of the author and such opinions are subject to change without notice. This material is distributed for informational purposes only. Forecasts, estimates, and certain information contained herein are based upon proprietary research and should not be considered as investment advice or a recommendation of any particular security, strategy or investment product. Past performance is not indicative of future results. All investments contain risk and may gain or lose value. Returns are net of fund expenses charged to date. This is not a sales solicitation. This investment is intended for tax residents of Canada who are accredited investors. Residency restrictions apply. Please read the relevant documentation for additional details and important disclosure information, including terms of redemption and limited liquidity. Please speak to your Nicola Wealth advisor for advice based on your unique circumstances. Nicola Wealth Management Ltd. (Nicola Wealth) is registered as a Portfolio Manager, Exempt Market Dealer and Investment Fund Manager with the required securities commissions.