PUBLIC ASSETS

Nicola High Yield Bond Fund
Quarterly Report | Q2 2026

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

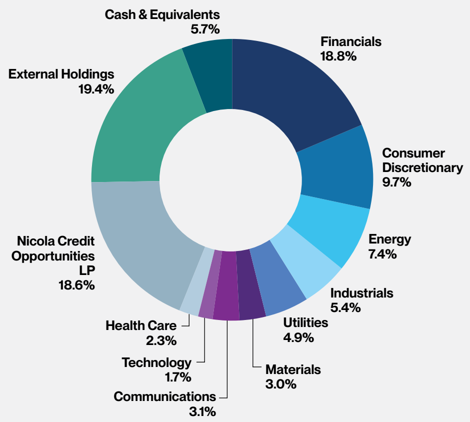
Attractive yield – Seeks to provide higher income than traditional fixed-income investments.

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

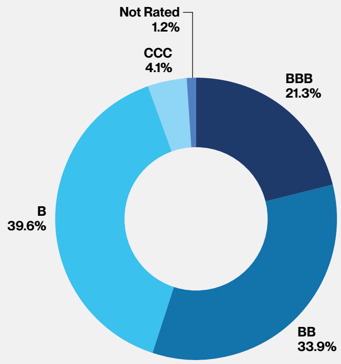
Defensive high-yield strategy – The Fund focuses on high yield and looks for market dislocations to apply an opportunistic, bottom-up approach to seek better risk-adjusted returns.

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 June 30, 2026



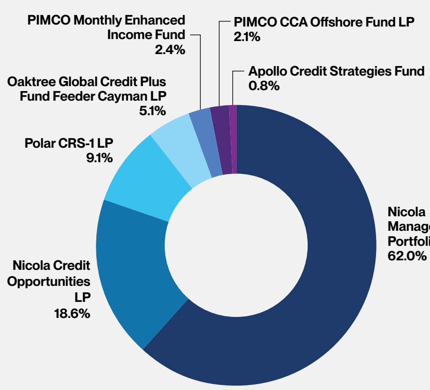
HOLDINGS BY CREDIT RATING as of June 30, 2026



Bond Characteristics

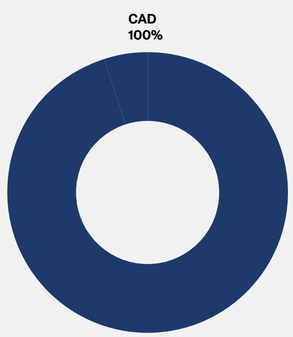
Gross Yield[1]	6.7%
Average Term to Maturity (credit only)	2.96yrs
Average Credit Rating	BB
Duration[2]	2.55yrs
Number of Holdings	97

HOLDINGS BY ASSET MIX as of June 30, 2026



HOLDINGS BY GEOGRAPHY as of June 30, 2026

HOLDINGS BY CURRENCY EXPOSURE (net hedged) as of June 30, 2026



Returns as of June 30, 2026	CAD	USD
YTD	**1.4%**	**2.9%**
1 month	**0.6%**	**1.2%**
3 month	**2.3%**	**3.2%**
6 month	**1.4%**	**2.9%**
1 year	**5.3%**	**7.7%**
3 year	**7.6%**	**5.8%**
5 year	**5.9%**	**3.4%**
10 year	**6.2%**	**5.4%**
Since Inception*†	**7.3%***	**3.3%†**
	*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 returned +2.3% in Q2, outperforming the iShares U.S. High Yield Bond Index ETF (CAD-Hedged), which returned +1.8% over the same period. This brings the Fund's year-to-date return to +1.4% versus +0.8% for the index ETF.

The Fund's overweight allocation to higher-quality credit and Canadian high yield proved resilient in a market where quality consistently outperformed lower-rated credit. High yield rebounded sharply early in the quarter on positive U.S. macro data, before quality-led dispersion widened amid renewed inflation concerns, an energy price shock, and a late-quarter AI-related equity selloff.

Key Contributors

- The Fund's higher-quality bias was the defining driver of relative performance, providing steady income with less downside as quality outperformed throughout the quarter.
- Canadian high yield contributed positively on attractive relative value, supported by limited domestic issuance, and Canadian high yield spreads tightened notably over the period.
- Security selection in higher-quality credits drove outperformance late in the quarter, with strong contributions from Financials such as Ardonagh Group Finance, PennyMac Financial and Encore Capital. Additionally, cyclicals such as Flexjet, QXO Inc and Norwegian Cruise Line also outperformed due to lower energy prices.
- External investments in the Polar Credit Risk Sharing Fund and PIMCO Carbon Credit Allowance Fund contributed to the outperformance of the Fund.

New Positions / Exits

- Initiated a position in Sotheby's, a leading luxury auction house serving global ultra-high-net-worth clients with strong pricing power and effective margin protection.
- Added Chemtrade in April, an industrial chemicals and services provider whose bonds cheapened after a municipal permitting setback at its Maplewood site. The company supplies roughly 70% of Western Canada's drinking-water chlorine, and we expect sufficient cash flow to service its debt even in an adverse scenario. We then sold the position in late June after it rebounded.
- QXO issued debt and equity to fund its TopBuild acquisition, which the market received positively given the complementary fit of the two businesses and the increased scale of the combined company. We held existing secured debt, which rallied, and we switched half of our position into the unsecured bonds at issuance. We believe QXO will execute its acquisition well and deleverage over time.

Our Thoughts On:

The Market

The high yield market demonstrated notable resilience through the quarter despite a noisy macro backdrop. Ongoing Middle East tensions early in the quarter kept oil prices elevated and renewed inflation concerns, with April CPI surprising to the upside. Despite a U.S.-Iran deal easing Middle East tensions and inflation pressures, Kevin Warsh's first speech as Federal Reserve Chair was hawkish. His speech appeared to reassure markets about the Federal Reserve's independence but resulted in higher front end yields which rose by approximately 0.35% in Q2. High yield largely looked through the rate volatility during the quarter and traded alongside broader risk sentiment. U.S. high yield spreads finished June at 2.75%, near cycle lows compared with 3.28% in March.

- The divergence between higher- and lower-quality credit was the dominant theme: BB and single-B spreads tightened over the quarter while CCCs lagged, giving back gains in a late-quarter widening as investors focused on refinancing and AI-disruption risk.
- High yield weathered the late-quarter software selloff far better than loans, with AI-vulnerable subsectors such as software representing roughly 3% of the high yield index versus 16% for loans.
- Technicals remained broadly supportive, with strong institutional demand absorbing issuance, though the primary market slowed through the quarter, helping spreads remain lower.

Our Fund

We remain focused on higher-quality credits with attractive risk-reward characteristics 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, the picture remains fairly strong but has begun to soften slightly. Earnings remain strong, but interest coverage ratios have weakened slightly. Par-weighted default rates, including distressed exchanges, have edged up to 2%. This is concentrated in select industries such as Paper & Packaging, Media, and Retail.
- From a valuation perspective, the intensifying dispersion between higher- and lower-quality credit reinforces our view that selectivity and disciplined risk management remain more important than ever. We continue to rotate the portfolio into bonds where the risk-reward is more attractive and where potential catalysts improve our odds of success.
- High yield market technicals remain strong but are beginning to soften. In the near term, only $154 billion of U.S. leveraged credit matures by year-end 2027, though maturities rise to $417 billion in 2028. Higher-quality BB high yield should continue to benefit from demand from core-plus managers and insurance mandates, supported by strong fixed-annuity sales.

We expect active management to remain essential as the market navigates geopolitics, policy risk, and credit-specific volatility. Though risks are elevated, high yield continues to offer robust carry income and pockets of compelling risk-adjusted opportunity.

Top 10 Holdings as of June 30, 2026

Nicola Managed Portfolio	Security Name	Weight
Jones Deslauriers Insurance Management, Inc.	NAVCOR 7.25% 01 OCT 2033	1.7%
PennyMac Financial Services, Inc.	PFSI 7.125% 15 NOV 2030 144A	1.2%
Ardonagh Group Finance Ltd.	ARDGRP 8.875% 15 FEB 2032 144A	1.1%
Encore Capital Group, Inc.	ECPG 8.5% 15 MAY 2030 144A	1.1%
Allied Properties REIT	APUCN FRN 07 APR 2027	1.1%
Atlas Warehouse Lending Company, L.P.	ATWALD 4.625% 15 NOV 2028	1.1%
CI Financial Corp.	CIXCN 6.0% 20 SEP 2027	1.1%
iShares U.S. High Yield Bond Index ETF	ISHARES U.S. HIGH YIELD BOND	1.1%
Canadian Utilities Limited	CUFCN 7.8% 18 DEC 2027	0.9%
CI Financial Corp.	CIXCN 4.75% 03 APR 2028	0.9%
Total		**11.3%**

[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