NICOLA WEALTH
PRIVATE CAPITAL

Nicola U.S. Mortgage Fund Quarterly Report | Q3 2026

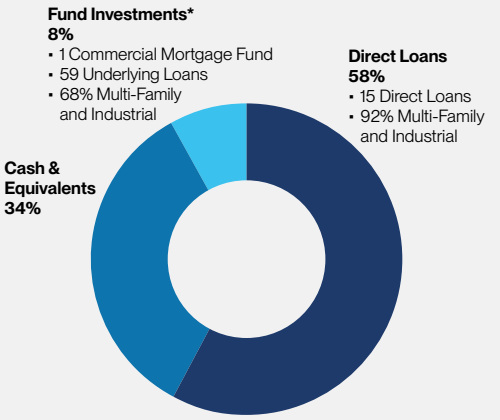
Objective

The objective of the Nicola U.S. Mortgage Fund ("Nicola USMF" or the "Fund") is to provide unit holders with a stable level of interest income while also seeking to preserve capital.

Strategy

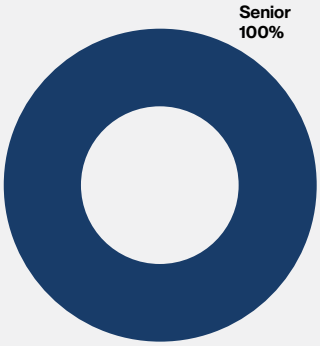
The Fund invests in loans and/or other securities invested in loans, either directly or indirectly, ultimately secured by mortgages on real property located in the United States. The Fund may also invest in cash, cash equivalents, or other debt securities from time to time. The Fund may employ leverage strategies to enhance yields and may use interest rate swaps or other derivatives to reduce interest rate volatility. The Fund may use currency forwards to hedge currency exposure when appropriate.

FUND ASSETS as of September 30, 2026



** Fund Investments data as of June 30, 2026*

INVESTMENTS BY PRIORITY as of September 30, 2026

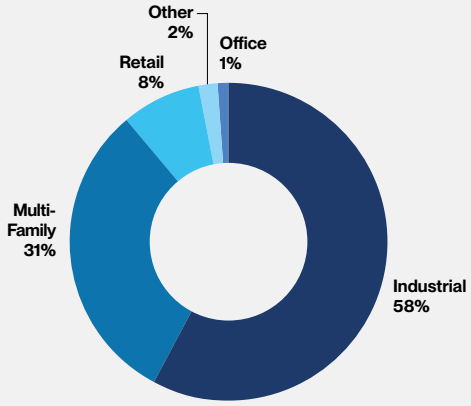


Fund Metrics

Weighted Avg. Stabilized LTV	**61.5%**
Weighted Avg. Stabilized DSCR*	**1.32x**
Avg. Direct Loan Size (USD Millions)**	**$18.3**
Leverage	**1.22x**
Interest Rate	**100% Floating**

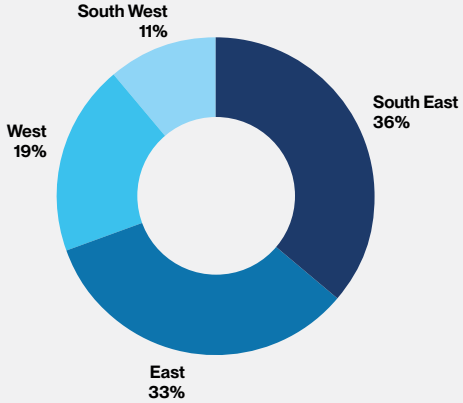
**Direct Loans only*
***Original gross commitment*

INVESTMENTS BY PROPERTY TYPE as of September 30, 2026*



** Excludes cash & equivalents*

INVESTMENTS BY GEOGRAPHY as of September 30, 2026*



** Excludes cash & equivalents*
May not add up to 100% due to rounding

Returns for the period ENDING as of September 30, 2026*

QTD	**1.0%**
YTD	**3.8%**
1 year	**5.4%**
3 year	**5.5%**
5 year	**-**
10 year	**-**
Since inception**	**4.3%**

**Performance numbers are for the USD $ Series*
*** April 30, 2022*

Performance

Nicola USMF returned USD 1.0% during Q3 2026, bringing its trailing twelve-month return to USD 5.4%. Recent performance was driven by:

1. Contractual interest income from the Fund's direct loan portfolio, which accounted for 88% of total investments
2. Fund investment with Ares Real Estate Enhanced Income Fund LP
3. Cash held in a high-interest savings account

As at the end of Q3 2026, the Fund held 34% of its assets in cash and equivalents, up from 25% in Q2 2026. The increase was primarily driven by higher-than-expected loan repayments. Based on the Fund's current deal pipeline, investment activity is expected to increase in Q4 2026.

The Fund targets leverage of 2.0x to enhance returns and deliver accretive financing terms. Currently, leverage sits at 1.22x Fund assets.

Total Fund assets under management (AUM) reached USD 142.5 million at the end of Q3 2026, representing growth of 0.9% over the previous 12 months.

New Investments & Realizations

Nicola USMF reviewed 29 direct loan opportunities in Q3 2026; however, it made no new investments during the quarter. Activity was limited to USD 2.3 million of subsequent advances.

The Fund realized USD 15.9 million through loan principal repayments and other fund redemptions in the quarter.

Notwithstanding the above, the Fund anticipates increased investment activity in Q4 2026.

Our Thoughts On:

The Market

According to U.S. commercial real estate giant CBRE Group's Q2 2026 U.S. Capital Markets Report, year-to-date commercial real estate investment volume increased 21% year-over-year to USD 250.3 billion through the first half of 2026. Private investors remained the largest buyer group, accounting for USD 70.9 billion of investment volume, while cross-border investment increased 35% year-over-year to USD 14.4 billion. Investment activity continued to increase across gateway and sun belt markets, led by New York, Los Angeles and San Francisco. CBRE expects investment activity to increase by 16% for the full year.

Multifamily (USD 34.9 billion) surpassed industrial (USD 32.0 billion) as the most active asset class by investment volume in Q2 2026, followed by office. Cross-border investment was led by retail, hotel, and office sectors. We expect the multifamily and industrial subsectors to remain among the most active for investment activity in the coming quarters, supported by continued investor demand and favourable lending conditions.

In September 2026, the U.S. Federal Reserve increased its target federal funds rate by 25 bps to 3.75% - 4.00%, citing persistent inflationary pressures and continued strength in both economic activity and the labour market. Updated forecasts indicate inflation may take longer to return to the Fed's 2% target, while policymakers maintained a cautious outlook given elevated geopolitical risks and uncertainty surrounding energy markets. Most Fed officials continue to signal that rates may remain higher for longer, with additional tightening still possible before year-end.

CBRE's Q2 2026 U.S. Capital Markets Report notes competition among U.S. commercial real estate lenders remain elevated as strong capital availability continues to support borrower demand. Alternative lenders, including debt funds and private credit providers, remain a leading source of financing, accounting for 38% of non-agency loan originations during the quarter, with banks and life insurance companies accounting for a further 30% and 20% of non-agency loan originations respectively. As lenders compete to deploy capital, loan spreads have continued to compress while leverage levels have remained relatively stable, indicating that competition is occurring primarily through pricing rather than increased risk-taking. Overall, lending conditions remain favorable, supporting refinancing activity and transaction volume across the market.

Our Fund

Nicola USMF targets income-producing commercial mortgage loans ranging from USD 10 million to USD 30 million, targeting leverage of up to 2.0x of Fund net asset value (NAV) to enhance yields. The Fund currently holds 15 direct loan investments, representing 58.5% of NAV. The portfolio's largest individual holding remains an external fund investment, representing 7.8% of NAV, substantially reduced from 20.0% of NAV in Q3 of 2025.

We continue to actively monitor both individual mortgage investments made through our separately managed account relationship and our underlying mortgage exposure within the external fund investment. Our focus remains on targeting direct loan opportunities backed by strong property-level fundamentals in resilient markets. We believe the current environment presents a compelling backdrop for this approach, and an exciting opportunity to lend against more conservative asset valuations with defensive characteristics while seeking attractive risk-adjusted returns.

Top Holdings

Investment	% NAV	Description
Fund Investment	7.8%	Open-ended fund with a portfolio of loans secured by mortgages over income producing commercial real estate located in the United States
Direct Loan	6.6%	Senior-ranking mortgage loan over an industrial property in New York
Direct Loan	5.8%	Senior-ranking mortgage loan over an industrial property in Florida
Direct Loan	5.3%	Senior-ranking mortgage loan over an industrial property in Indiana
Direct Loan	5.1%	Senior-ranking mortgage loan over an industrial property in South Carolina
Direct Loan	4.4%	Senior-ranking mortgage loan over a retail property in Massachusetts
Direct Loan	4.2%	Senior-ranking mortgage loan over an industrial property in Washington
Direct Loan	3.9%	Senior-ranking mortgage loan over an industrial property in North Carolina
Direct Loan	3.8%	Senior-ranking mortgage loan over a multifamily property in Washington
Direct Loan	3.4%	Senior-ranking mortgage loan over a multifamily property in Texas

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.