



NICOLA WEALTH

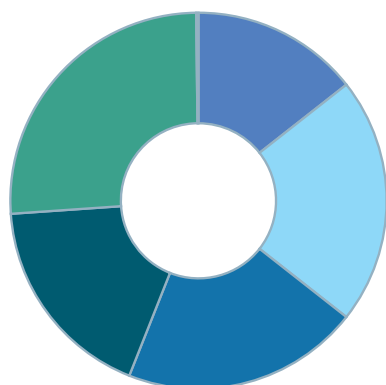
OBJECTIVE

The Nicola High Yield Bond Fund's objective is to provide clients of Nicola Wealth with a high level of interest income with a secondary emphasis on capital preservation and appreciation by investing in non-investment-grade fixed income securities. A U.S. dollar series of this fund is also available.

STRATEGY

The fund primarily invests in high yield non-investment-grade bonds, debentures, and convertible debentures issued by Canadian, U.S. and other foreign corporations and governments. The underlying investments may use a long/short strategy and derivatives for hedging and non-hedging purposes. Diversification of the fund is enhanced by utilizing funds and managers of different investment styles.

Asset Mix as of December 31, 2018



- Apollo Credit Strategies Fund: 14.4%
- Nicola High Yield: 21.2%
- PH&N High Yield Bond: 20.4%
- Picton Mahoney Income Opportunities: 17.9%
- Oaktree Global High Yield Bond Fund: 25.9%
- Cash: 0.2%

Stated in Canadian dollars

Key Statistics

Inception Date	February, 2009
Net Asset Value	\$249.9 million
NAV Per Unit (Class O)	\$10.86
Number of Assets	49
Net Yield	6.5%
Trailing 12 Month Distribution	3.5%
Duration	2.8 years

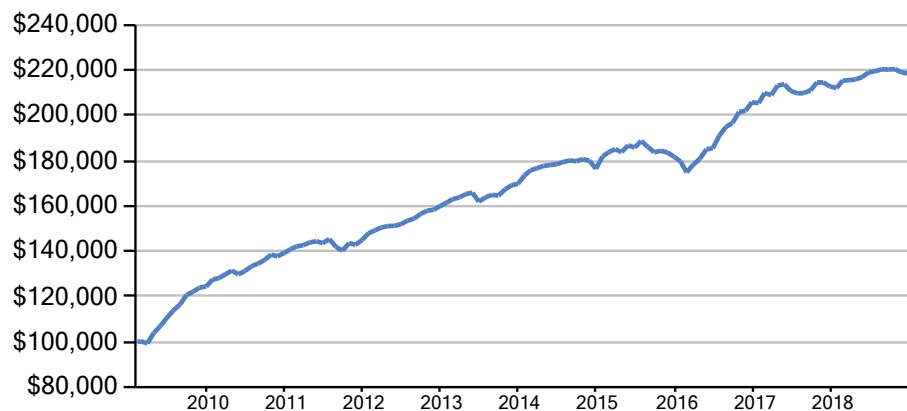
Calendar Year Returns

2018	2.7%
2017	3.4%
2016	13.2%
2015	3.0%
2014	3.9%

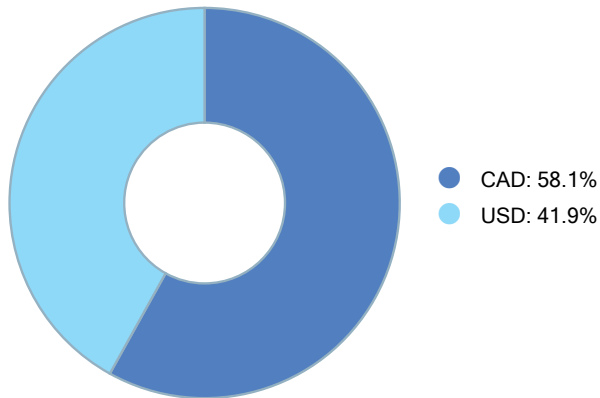
Returns for the period ending December 31, 2018

Year-to-Date	2.7%
1 Year	2.7%
3 Year	6.3%
5 Year	5.2%
10 Year	N/A
Since Inception	8.2%

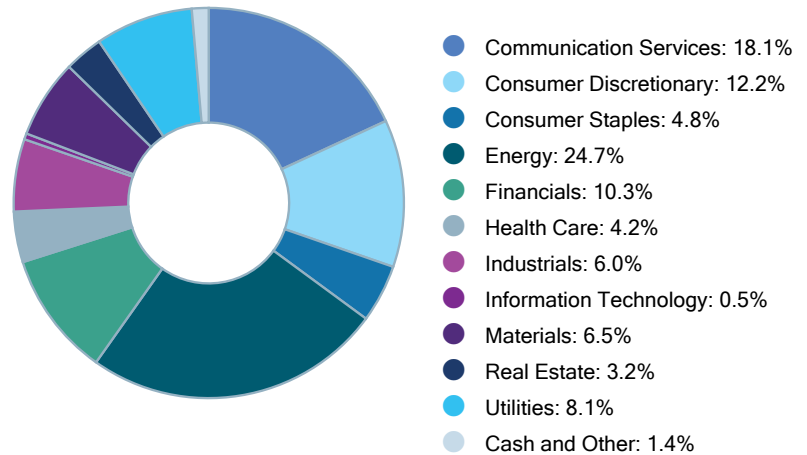
\$100,000 Invested Since Inception



Currency Exposure



Sector Weighting



Commentary

In sympathy with equity market volatility, high yield credit spreads widened by a surprising 2% in the fourth quarter, to 5.3% above U.S. Treasury bond yields and an all-in yield of 8.0% at year-end. The BofAML U.S. High Yield Index returned -4.7% in the quarter, for a -2.3% annual return in 2018.

The Nicola High Yield Bond Fund was -0.7% for the quarter but gained +2.7% for the year. The fund's differentiated strategies outperformed in the quarter and over the year, and high yield market weakness was also buffered in the fund by its U.S. dollar exposure.

With the December market selloff, many sound high yield credits are now trading at attractive price and yield levels. Coupled with low levels of high yield bond issuance on the horizon, we think the market will stabilize at these attractive yields with the potential for price rebound. As such, the internal portfolio (representing 21% of the Nicola High Yield Bond Fund) significantly repositioned from its defensive position during December, fully investing its 25% beginning-of-month cash balance to capture the higher yields. At year end, the internal portfolio is yielding 10%, up from 6.1% at the beginning of the quarter. Overall, the Nicola High Yield Bond Fund is now yielding 6.5%, up from 4.5% at the beginning of the quarter.

For more information on this fund's monthly performance, click [here](#).

Past performance is not indicative of future results. All investments contain risk and may gain or lose value. The YTD and 1 year return is a historical simple return. The 3, 5, 10 year and since inception returns are annualized compounded total returns. All returns are net of fund-level fees and expenses, including management fees and performance fees (if applicable). Please refer to the disclosure documents for important disclosure information including terms of redemption and limited liquidity. Nicola Wealth is registered as a Portfolio Manager, Exempt Market Dealer and Investment Fund Manager with the required provincial securities' commissions. Please speak with a Nicola Wealth advisor to discuss if this investment is right for you. Effective Jan. 1, 2019, the fund changed its name from the NWM High Yield Bond Fund.