



# NICOLA WEALTH

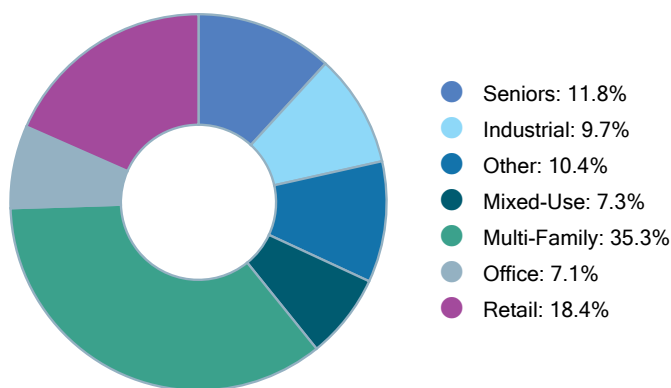
## OBJECTIVE

The Nicola Primary Mortgage Fund's objective is to provide clients with capital preservation and a stable income with a premium over traditional fixed income investments, using Nicola Wealth's extensive real estate and fixed income expertise to actively manage a pool of mortgage investments with a conservative risk tolerance.

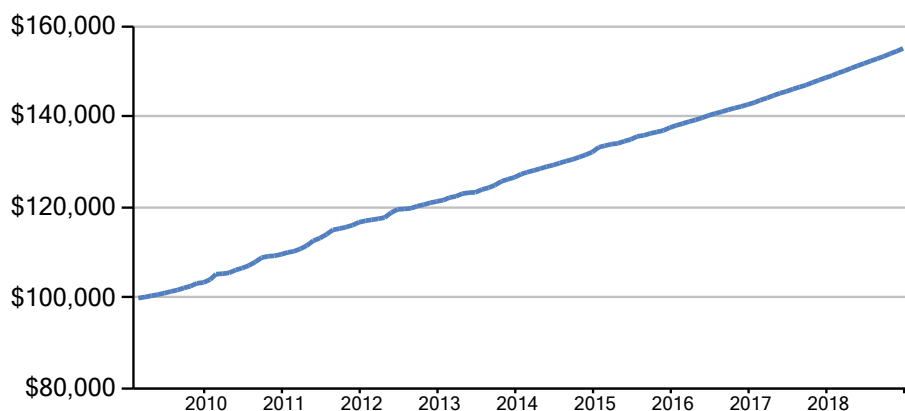
## STRATEGY

Invest in primarily senior ranking mortgages with low loan-to-value ratios, secured by Canadian commercial real estate with strong cash flow. Mortgages are sourced from respected industry partners with extensive market experience, deep technical expertise, and diverse borrower relationships.

Gross Asset Value by Type as of December 31, 2018



\$100,000 Invested Since Inception



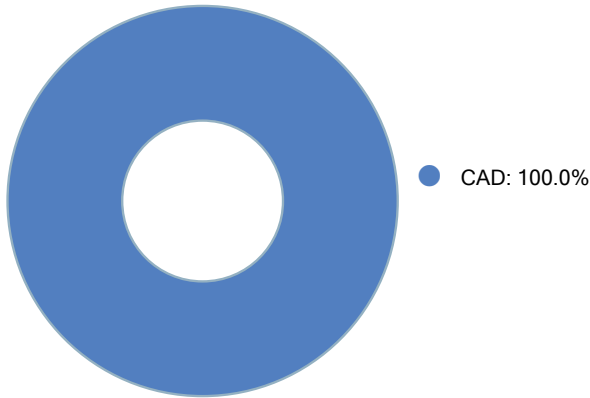
Stated in Canadian dollars

Key Statistics	
Inception Date	February, 2009
Net Asset Value	\$159.3 Million
NAV Per Unit (Class O)	\$10.22
Number of Assets	42
Net Yield	4.0%
Trailing 12 Month Distribution	4.1%
Average Loan Balance	\$3.15 Million
Weighted Average Remaining Term	1.7 years
Debt Service Coverage Ratio	1.52x
Weighted Average Loan-to-Value	56.1%

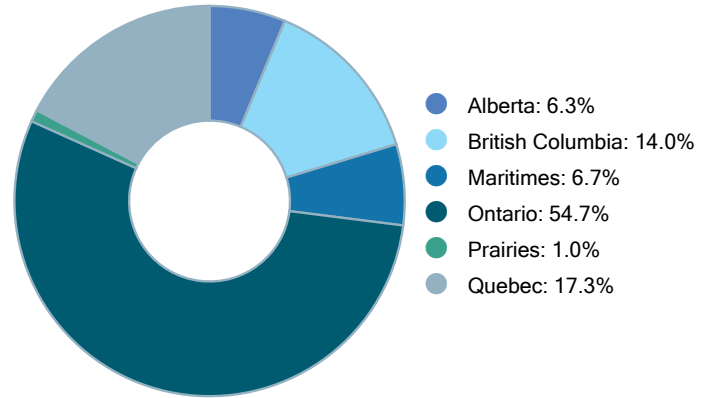
Calendar Year Returns	
2018	4.4%
2017	4.1%
2016	3.7%
2015	4.1%
2014	4.4%

Returns for the period ending December 31, 2018	
Year-to-Date	4.4%
1 Year	4.4%
3 Year	4.1%
5 Year	4.1%
10 Year	N/A
Since Inception	4.6%

Currency Exposure



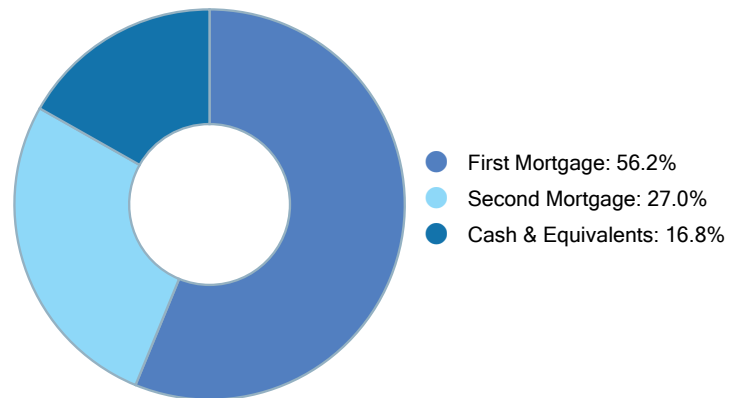
Gross Asset Value by Location



Investment Activity

	Current Quarter	YTD
<b>Loans Funded</b>	2 (\$8.7m)	12 (\$28.9m)
<b>Loans Repaid</b>	4 (\$22.4m)	11 (\$54.7m)

Mortgage Type



Commentary

The Nicola Primary Mortgage Fund ended Q4 2018 with total AUM of \$159.3m. Investment activity included \$8.7m in new mortgage loans funded, including a retail strip centre and a student housing property. There were \$22.3m in loan repayments this quarter, which was unusually high as a large \$10.0m loan matured in December. As a result, the Primary Mortgage Fund holds 16.5% of assets in cash or short-term cash-like investments at quarter end. All loans are performing and there are no impaired loans.

Competition for conservative low-leverage mortgage loans in the conventional-plus mortgage market remains high, primarily from conventional lenders as the prime rate increased again in Q4. We continue to be selective with investments as the market adjusts to the new higher prime rate environment, seeking low-risk lending opportunities secured by quality cash flow generating commercial real estate. We expect further interest rate volatility in this segment of the mortgage market as the 5-year Government of Canada bond yield peaked in October only to fall significantly at the end of December.

Our origination platform has been expanded this quarter, as we established a new relationship with an experienced Canadian mortgage lender who will assist in sourcing qualified mortgage investment opportunities for the Nicola Wealth.

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 Primary Mortgage Fund.