



The Pool

The fundamental investment objective of the NWM Private Equity is to seek long-term capital growth by investing in a diversified portfolio consisting of Limited Partnerships managed mainly by Private Equity managers as well as Mezzanine Debt managers, in addition to direct investments in private companies.

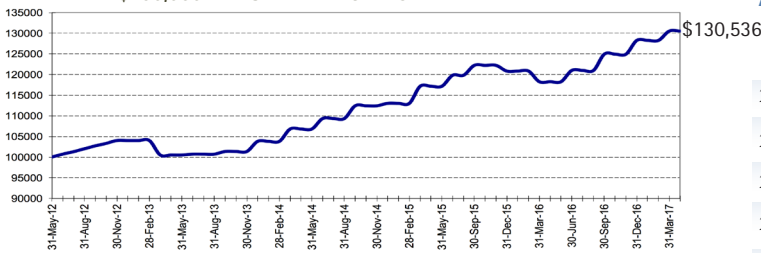
The Strategy

The Manager will diversify the pool's investments by region, strategy, and size. Selection of both managers and direct investments will be based on a top-down, bottom-up investment process involving a manager's or investment's stand-alone investment merits as well as industry trends. The float will be managed to generate yield while providing liquidity for capital calls from our managers.

The Manager

Nicola Wealth Management Ltd. (NWM), the "Fund Manager," is a wealth management and planning firm-established in 1994. With a philosophy built on cash flow and diversification, our growing series of funds is managed by members of NWM's Portfolio Management Team.

PERFORMANCE (cumulative return) \$100,000 INVESTED AT INCEPTION



PERFORMANCE (quarterly returns) As of MAR 31, 2017

	Q1	Q2	Q3	Q4	TOTAL
2017	1.8%				1.8%
2016	-2.1%	2.3%	3.3%	2.7%	6.2%
2015	3.7%	2.3%	2.0%	-1.1%	6.9%
2014	2.9%	2.4%	2.8%	0.5%	8.9%
2013	-3.4%	0.2%	0.6%	2.4%	-0.2%
2012 ¹		0.7%	2.0%	1.3%	4.0%

Total Assets
(millions) \$146.1

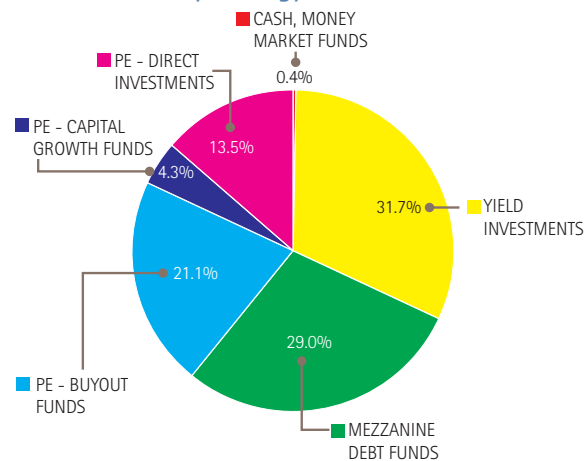
12-Month Trailing
Cash Flow Distribution 1.2%

Returns for the period ENDING APR 30, 2017

1 month	0.0%
3 month	1.8%
6 month	4.5%
1 year	10.4%
2 year	5.6%
3 year	6.9%
4 year	6.8%
Since Inception*	5.6%

* May 31, 2012

Investment Mix by Strategy as of March 31, 2017



Top 10 Fund Investments as of Mar 31, 2017 (excluding cash)

	Total
CROWN CAPITAL FUND IV	6.6%
OAKTREE MEZZANINE FUND IV	6.2%
BROOKFIELD INFRASTRUCTURE FUND II	4.7%
PENFUND V	4.7%
NORTHLEAF GLOBAL PE FUND V	3.8%
TORQUEST PARTNERS FUND III	2.9%
NORTHLEAF SECONDARY PARTNERS LP	2.7%
MAXAM OPPORTUNITIES FUND	2.3%
HEADWATER EQUITY PARTNERS FUND I	2.2%
TALLINN	2.2%
SUM	38.3%

Top 5 Direct Investments as of Mar 31, 2017

	Total
TORQUEST - TITAN GROUP	2.4%
ELEVATION BRANDS	1.9%
NORTHWEST UPGRADING	1.7%
PORTE BRENTWOOD	1.5%
FROSTFIGHTER	1.0%
SUM	8.4%

Disclosure:

- Past performance is not indicative of future results.
- Returns are net of fund expenses charged to date.
- This investment is only available for sale to residents of Canada who are accredited investors. Please read the Limited Partnership Agreement and subscription documents for additional details and important disclosure information, including terms of redemption and limited liquidity.

¹The units offered during 2012 from May 31, 2012 to Dec 2012 were offered at a pre-determined escalating price (not on underlying market values), starting at \$10 in May 2012, increasing 6-7c/month (8%/year). Similar to what happens in underlying Private Equity funds, this pricing was established to compensate earlier investors for time value.

NWM is registered as a Portfolio Manager, Exempt Market Dealer and Investment Fund Manager with the required provincial securities' commissions.



Q4 | 2016

2016 2ND HALF COMMENTARY

The asset mix of the NWM Private Equity (PE) Fund at the end of the year was 36% in equity pools and direct investments (mainly co-investments with our managers), 27% was in private income pools, primarily mezzanine debt and infrastructure, and the remaining 38% was in float. The float was actively invested in NWM Balanced Mortgage Fund and NWM High Yield Fund. While the float has come down from 45% last year, it is still substantial and while it reduces returns somewhat, it ensures we have resources for future capital calls from our managers as well as provides liquidity for our clients. We aim to bring the float to closer to 15% over the next year or so and maintain that.

Highlights from the second half of 2016 include:

- Total return of 6.1% in the second half, with gains of +3.3% and +2.7% in Q3 and Q4 respectively.
- This was driven by our investment in Maxam 2 pool, our co-investment with Torquest in Titan, a national gypsum distributor, but offset by our investment in Endurance.
- Investments were diversified and consistent with our managers' mandates. Investments included Peruvian toll roads through Brookfield Infrastructure, Two-Bite Brownie maker Give and Go Foods, and a commitment to Vanedge II.
- Notable sales: exits by underlying managers in our Northleaf Capital's Private Equity Secondaries pool, the sale of Prairie Sky shares which we received when Range Royalty was acquired, and a dividend from Sky Service, a Canadian business jet service owned by Fulcrum, one of our PE managers.

New Investments and Exits

The NWM PE Fund continued to diversify. In any given quarter, there may be 10 to 20 different investments that the NWM PE Fund makes through our managers. Three new investments highlighted below reflect the uniqueness and diversification in the types of investments our managers make.

- **Peruvian Toll Roads acquisition:** Brookfield Infrastructure Fund III acquired a majority interest in a 115km portfolio of urban toll roads in Peru. The roads serve as main corridors for traffic into and out of Lima. Contracts are favorable, 30-year concessions and generate stable cash flows under a fixed tariff, with inflation escalators. Peru is one of the most robust economies in Latin America, with strong GDP growth leading to strong double digit growth in traffic.
- **Two Bite Brownies!** Penfund, one of our private debt managers, provided a mezzanine loan to the maker of Two Bite Brownies, Give & Go Prepared Foods. Headquartered in Toronto, they make small, sweet baked products, sold mainly to in-store bakers of major grocers throughout North America. The company's product category growth has been stable, even through recessions, and their products align with consumer trends toward snacking, convenience, and portion control. The business is very profitable; management is proven with a long track record in the industry.
- **Commitment to Vanedge2:** Vanedge Capital is a \$200-million Vancouver-based venture capital fund that focusses on technology themes including Machine Intelligence, Cloud Enterprise Software, and Cyber-security. They have a great team with depth in both operations and successful exits, with strong ties to Silicon Valley. Vanedge has a great track record with their first fund with strong early exits and great returns.
- **Secondary fund exits:** We benefited from liquidity events through two underlying PE managers in our Northleaf Secondary Partners investment: Toronto-based Birch Hill, a multi-billion dollar private equity firm with over twenty years of great track record; and Charterhouse, a leading middle-market European buyout PE firm.
- **Sale of Prairie Sky:** We sold our shares in Prairie Sky, a Calgary-based publicly traded

energy royalty company. This originated as an investment in a private company, Range Royalty, which was acquired by Prairie Sky in December 2014. Range Royalty was a co-investment with Longbow, a Calgary-based PE firm that we are investors in. We sold our PSK shares as Longbow was also selling their position.

Skyservice dividend: Skyservice is Canada's largest operator and provider of business aviation services, with locations at the Toronto, Montreal, and Calgary airports. NWM PE Fund owns an equity stake in the company through Fulcrum. Skyservice has been a great investment, more than doubling in value. The company paid a dividend last September which was distributed to investors.

Performance

Returns came from a variety of investments, with a stronger USD also providing a translation tailwind to our USD-denominated investments. This represented approximately one-third of the NWM PE Fund in December 2016.

- **Maxam: a remarkable year.** One big winner was an equity investment in a drill-service company called Geodrill, a publicly traded micro-cap company with a very illiquid stock. Energy was out of favor earlier in 2016, and valuations reflected that. Geodrill had no debt, helping it withstand another downturn without bankruptcy risk. A forced seller enabled Maxam to buy a block at a discounted price. Business fundamentals improved subsequently and Geodrill stock was up more than 5x versus Maxam's average cost at the last valuation date.
- **Endurance:** Unfortunately not all investments work, and one that didn't was a direct investment in Endurance Windpower, a Surrey-based manufacturer of small/mid-sized wind turbines. When we first invested, the company had competitive products in an attractive space, and was trending towards profitability. Yaletown Venture Partners, a Vancouver-based venture capital fund, was a large investor with a board seat, providing a deep level of diligence and an internal set of eyes. However, as a large portion of sales were to the UK, when a newly elected government caused the feed-in tariffs to decline earlier and more rapidly than the downside case had forecasted this led to materially reduced sales momentum, delays in orders and slower cash receipts from customers. To compound matters, the reduction in the feed-in tariffs took place while the company was transitioning its business model to become an independent power producer. Brexit and a softer GBP added to the headwinds. When creditors significantly tightened payment terms Yaletown and other investors attempted to assemble an equity rescue package, but no deal was reached before Comerica, the senior lender, placed the company into creditor protection during Q4, which erased all shareholder value.
- **Titan: a national building materials distributor to multi-family residential, commercial, and institutional end-markets, focusing on drywall and insulation.** Torquest, one of our PE managers, acquired the company by consolidating four regional dealers into a national one headquartered in Vaughan, ON. In 2016, sales and earnings were robust, driven by strong demand in the GTA and BC. Part of the value that Torquest created was in combining regional companies into one, integrating the entities, implementing best practices nationwide, centralizing systems and back-office functions, while addressing organization and succession planning.

The NWM PE Fund continues to perform and diversify well, as our line-up of managers continue to deploy capital throughout the cycle in a broad set of businesses, whether it be an equity investment in or a mezzanine loan. Going forward, we continue to monitor our managers while continuing to search for other managers and strategies that make sense for our pool. While there is debate on whether public market valuations are high, it is understood that public market valuations influence private ones. We see and expect our managers to continue to deploy capital and practice prudence in investment selection.