



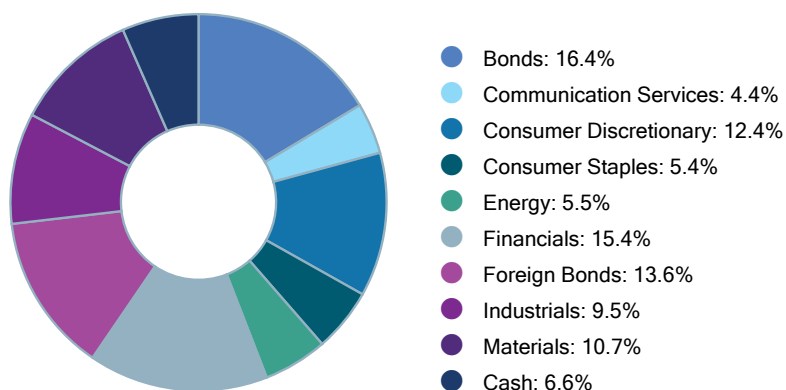
**OBJECTIVE**

The Nicola Canadian Tactical High Income Fund's objective is to provide clients of Nicola Wealth with investments in publicly traded securities that generate higher yields and lower volatilities relative to the S&P/TSX Composite Index.

**STRATEGY**

The fund will use a combination of put and call option writing as well as long-only equity investments to generate income. Additional income comes from put option collateral which may include cash, corporate and government debt.

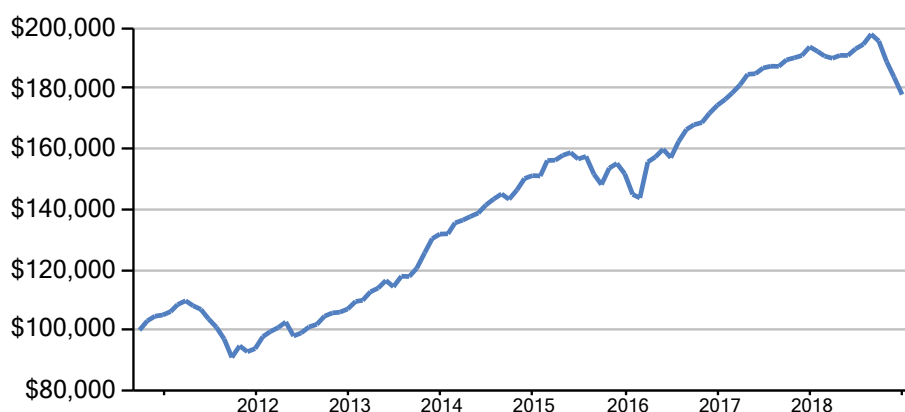
**Sector Weighting as of December 31, 2018**



**Stated in Canadian dollars**

Key Statistics	
Inception Date	September, 2010
Net Asset Value	\$192.5 Million
NAV Per Unit (Class O)	\$8.47
Number of Stocks Owned	25
Trailing 12 Month Distribution	8.1%
% of Equities Partially or Fully Covered	29%
% of Portfolio Made Up of Notional Puts	36.8%
Delta Adjusted Equity Exposure	76.2%

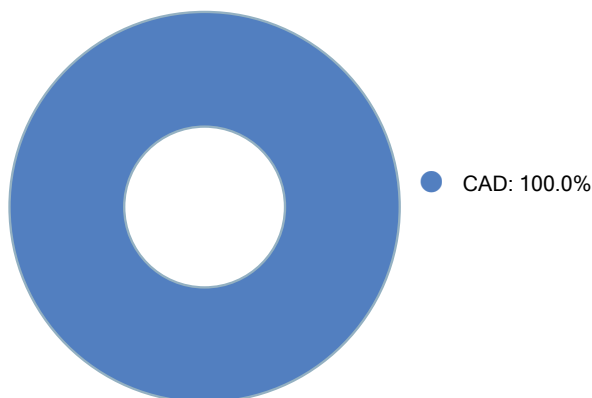
**\$100,000 Invested Since Inception**



Calendar Year Returns	
2018	-8.1%
2017	11.1%
2016	14.9%
2015	0.4%
2014	14.7%

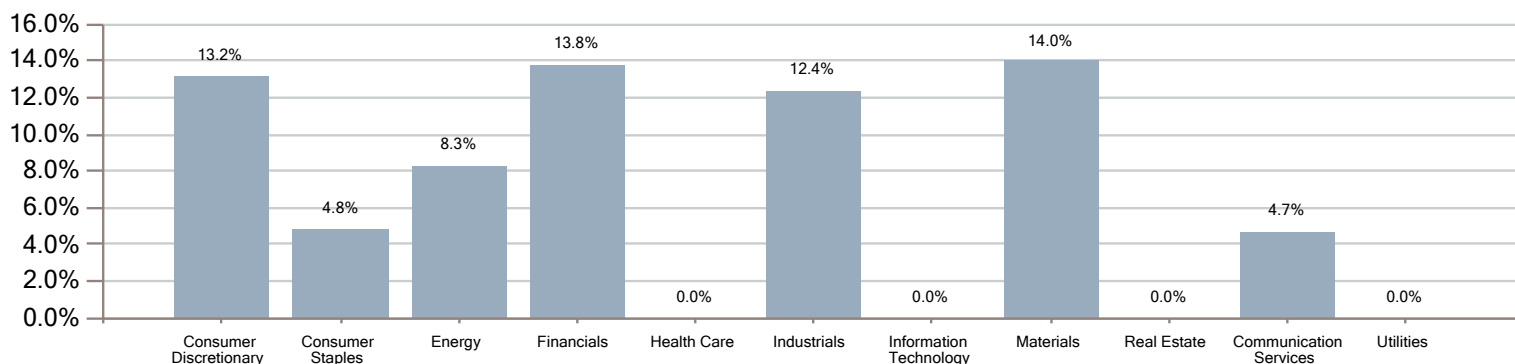
Returns for the period ending December 31, 2018	
Year-to-Date	-8.1%
1 Year	-8.1%
3 Year	5.4%
5 Year	6.2%
10 Year	N/A
Since Inception	7.2%

## Currency Exposure

Top Holdings as of December 31, 2018  
(excluding Cash, Money Market & Treasuries)

Nicola Bond Fund	16.38%
PIMCO Monthly Income Fund	13.64%
IGM Financial Inc.	5.14%
Cineplex Inc.	4.44%
West Fraser Timber Co Ltd.	4.38%
Sleep Country Canada Holdings Inc.	4.29%
Transcontinental Inc.	4.16%
Winpak Ltd.	3.97%
Magna International Inc.	3.38%
Maple Leaf Foods Inc.	3.12%
Total	62.90%

## Canadian Tactical High Income Fund (Delta-adjusted Weights)



## Commentary

The Canadian stock market declined 10.1% in Q4; the last negative Q4 was back in 2014 after peak oil prices started to roll-over. Investors began scaling back equity exposure as global macro issues remained top of mind with concerns of escalating U.S./China trade tariffs, slowing Chinese economy, declining oil prices, weakening housing market and flattening of the yield curve. There were not many places for investors to seek out refuge as 8 out of the 11 S&P/TSX sectors were in the red; energy and healthcare were the hardest hit down 17.31% & 35.28% respectively. Stock market and implied option volatility had increased dramatically in Q4 (S&P/TSX 60's 1-month implied volatility increased over 80% since the beginning of October); this increase in implied volatility provided a positive impact to the portfolio's put and covered call option strategies as higher implied volatility translates into higher call option premiums.

In late Q3, we reduced our put option collateral credit exposure as we believed the credit spreads were not enough to compensate for the risks. This tactical move worked in our favor as both investment grade and high yield credit spreads widened significantly during the quarter. We may add more credit exposure in the near future for additional yield pick-up. The portfolio's equity-equivalent exposure has increased from 54.5% to 76.1% due to a combination of option assignments and additional long-only purchases. New names added include SNC Lavalin, Manulife, Waste Connections, Bank of Nova Scotia and RBC Royal Bank.

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 Canadian Tactical High Income Fund.