



NICOLA WEALTH

The Fund

The Nicola Private Debt Fund combines a fund-of-funds approach and direct investing in private debt opportunities to target an attractive premium above public market fixed income yields and returns. We intend to generate a higher return from the higher coupons, equity upside and stronger risk protection. The Fund is targeting 7-8% income yield plus 1-2% capital gains, for 8-10% net return per annum.

The Manager

Nicola Wealth, the “Manager,” established in 1994, is one of Canada’s fastest growing wealth management firms. With a philosophy built on cash flow and diversification, our growing series of funds are managed by members of Nicola Wealth’s Portfolio Management Team.

What Is Private Debt?

Private debt is the direct lending by one or few investors in the form of loans or debentures to private or public companies, as opposed to bonds and loans that are issued to many participants and tradable in markets. Private debt opportunities are illiquid investments that generally need to be held until maturity. For the long-term investor who can make this commitment, private debt can offer attractive yields and returns.

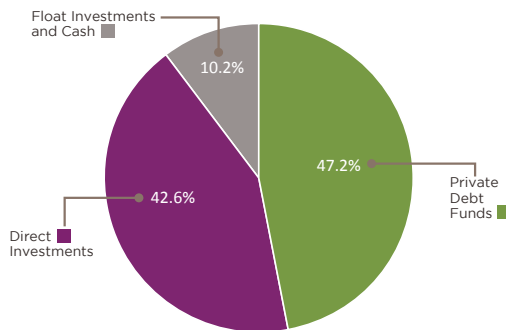
Top Fund Investments as of June 30, 2019

	Weight
Crown Capital Partners Funding	13.0%
Cortland Credit Strategies Fund	10.1%
Apollo Credit Strategies Fund	7.0%
THL Credit Fund III	6.2%
Oaktree Middle Market Direct Lending Fund	5.1%

Top Direct Investments as of June 30, 2019

	Weight
Credit Facility - Project Steen	23.8%
Commercial Mortgage - GVRD	3.1%
Loan - Project Strength	3.1%
Loan - Project Honesty	2.9%
Commercial Mortgage - GTA Portfolio	2.6%

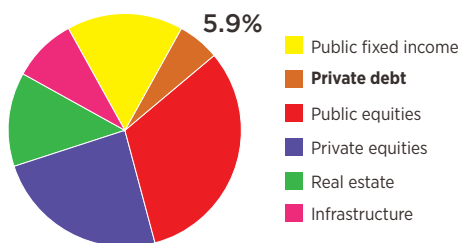
Asset Mix as of June 30, 2019



Total Assets (millions) \$209.8	
12-Month Trailing Cash Flow Distribution 9.6%	
Returns for the period ENDING AUGUST 31, 2019	
1 month	0.0%
3 month	0.8%
6 month	2.3%
1 year	5.3%
Since Inception*	5.8%
* October 31, 2017	

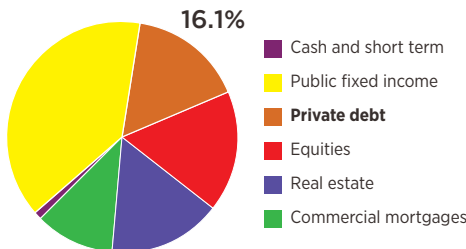
Private Debt Allocations by Other Long-Term Institutional Investors

Canada Pension Plan



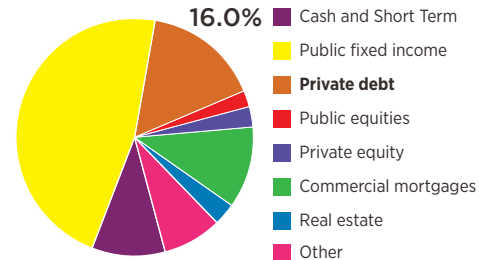
As of Dec 31, 2018

Sun Life WL PAR Policyholder Investment Account



As of Dec 31, 2018

Teachers Insurance and Annuity Association (TIAA) General Account



As of Dec 31, 2018

Quarterly Performance as of August 31, 2019

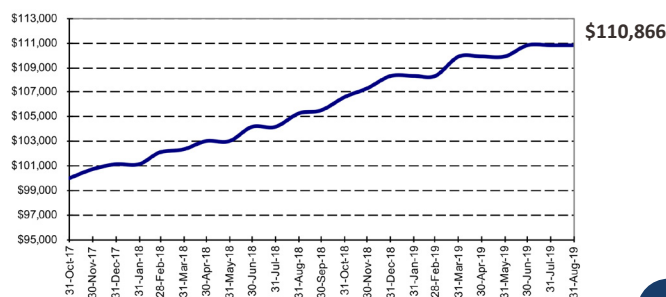
	QTR 1	QTR 2	QTR 3	QTR 4	TOTAL
2019	1.50%	0.80%			2.30%
2018	1.20%	1.81%	1.31%	2.66%	7.15%
2017					1.14%

Disclosure

- Past performance is not indicative of future results.
- Returns are net of fund expenses.
- Please read the relevant documentation for additional details and 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.

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





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WHY PRIVATE DEBT?

High Income Yield

Private debt transactions aim to generate high and stable income for the investor from the combination of coupon interest and fee income. Several factors help private debt usually generate higher yields than publicly traded fixed income:

- **Inefficient Markets** – private deals will usually have better pricing when borrowers cannot access competitive publicly traded markets, require a customized financing solution, or prefer a trusted or sole lender relationship.
- **Illiquidity Premium** – since private debt generally does not trade and needs to be held until maturity, long-term investors can earn an illiquidity premium over publicly traded fixed income when in less competitive situations.

Equity Participation

Lenders can often negotiate equity participation through stock, warrants or bonus payments, which can contribute significantly to the overall investment return. Equity upside is common in private debt transactions, particularly in junior debt securities, to adequately compensate the lender for the risks.

Downside Protection

Private debt generally has lower default rates and losses than publicly traded debt. Some factors for this are:

- **Security and Covenant Protection** – private debt investors can structure more security and covenants for loss protection in unique and less-competitive transactions.
- **Information Advantage** – private lenders conduct extensive due diligence before investment and have ongoing access company information to monitor risk. Our private debt managers often have board representation or observation rights for their investment companies.
- **Coordination and Control** – because there are not many investor participants involved, sole or coordinated private lenders can protect their investments more effectively when negotiating with companies and other stakeholders.

Low Volatility

Private debt generally does not trade in open markets so it is not subject to the pricing volatility that public markets such as high yield bonds can exhibit from technical flows.

Disclosure:

This is a summary only, and is not intended as an offering document. This investment is generally intended for tax residents of Canada who are accredited investors. Some residency restrictions apply. Nicola Wealth is registered as a Portfolio Manager, Exempt Market Dealer and Investment Fund Manager with the required provincial securities' commissions. All investments contain risk and may gain or lose value. Please speak to your Nicola Wealth advisor for advice based on your unique circumstances.

NICOLA WEALTH PRIVATE DEBT STRATEGY

Diversified Access to Private Debt Funds

Similar to large institutional investors, we focus on a fund-of-funds approach where we invest with multiple managers. By diversifying across managers, regions, industries and strategies, the portfolio enables investment access to across a wide set of attractive private debt opportunities.

Nicola Wealth has been investing in private debt investments as part of the Nicola Private Equity Limited Partnership. Upon launch, the Nicola Private Debt Fund will hold these seasoned investments as part of its portfolio, resulting in immediate income and diversification benefit to investors.

Liquidity

Typically, investors in private debt have no liquidity or redemption options. It is our intention to diversify the portfolio such that an individual investor may be able to access partial or full liquidity for their investment on a quarterly basis with minimum six-month redemption notice period. Please speak to your Nicola Wealth advisor for details and restrictions. In order to realize the best returns over time, however, the fund manager recommends that investors should have an investment horizon of 5 to 10 years in this asset class.

Registered Account Eligibility

The Nicola Private Debt Fund is organized as a mutual fund trust and will be an attractive fixed income investment in the tax-sheltered accounts of many of our clients (RRSP, TSFA, RESP).