



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 6-7% income yield plus 1-2% capital gains, for 7-9% net return per annum.

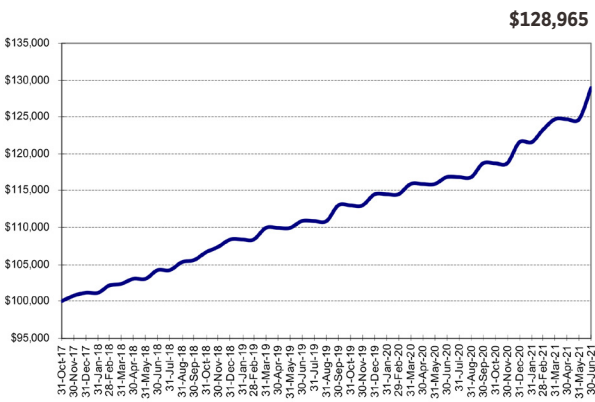
The Manager

Nicola Wealth, 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 Nicola Wealth's Portfolio Management Team.

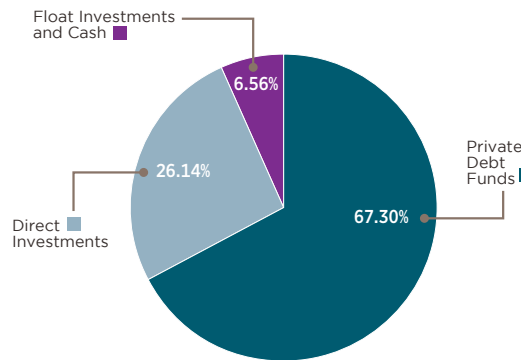
What Is Private Debt?

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.

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



ASSET MIX as of June 30, 2021



Total Assets (millions) \$362.4	
12-Month Trailing Cash Flow Distribution 9.0%	
Returns for the period ENDING JUNE 30, 2021	
1 month	3.4%
3 month	3.4%
6 month	6.1%
1 year	10.4%
2 year	7.9%
3 year	7.4%
Since Inception*	7.2%

*October 31, 2017

QUARTERLY PERFORMANCE as of June 30, 2021

	QTR 1	QTR 2	QTR 3	QTR 4	TOTAL
2021	2.6%	3.4%			6.1%
2020	1.2%	0.8%	1.6%	2.4%	6.2%
2019	1.5%	0.8%	1.9%	1.3%	5.7%
2018	1.20%	1.81%	1.31%	2.66%	7.1%
2017					1.1%

TOP FUND INVESTMENTS as of June 30, 2021

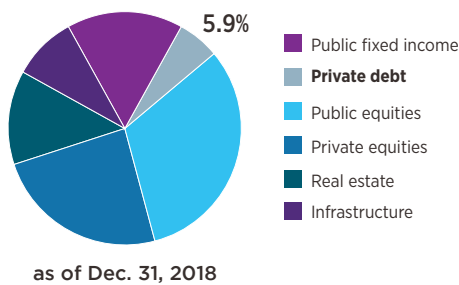
	WEIGHT
Morgan Stanley Riverview ALF	20.43%
Crown Capital Partners Funding	8.33%
Cortland Credit Strategies Fund	7.53%
Apollo Credit Strategies Fund	6.78%
Oaktree Middle-Market Direct Lending Fund L.P.	4.19%

TOP DIRECT INVESTMENTS as of June 30, 2021

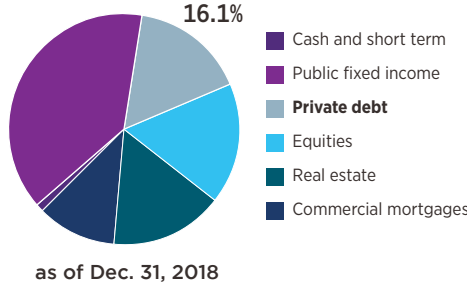
	WEIGHT
Loan Project Merion	3.64%
Loan Project Access	3.41%
Loan Project Karma	3.16%
Loan Project Strength	2.76%
Loan Project Orion	2.52%

PRIVATE DEBT ALLOCATIONS by other Long-Term Institutional Investors

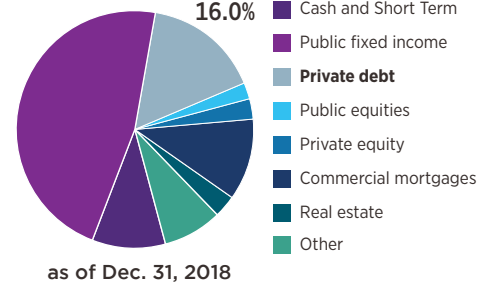
Canada Pension Plan



Sun Life WL PAR Policyholder Investment Account



Teachers Insurance and Annuity Association (TIAA) General Account



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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.

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).

DISCLOSURE

Past performance is not indicative of future results. Returns are net of fund expenses. This is not a sales solicitation. This investment is generally intended for tax residents of Canada who are accredited investors. Some residency restrictions apply. Please refer to the disclosure documents for important disclosure information including terms of redemption and limited liquidity. 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 is registered as a Portfolio Manager, Exempt Market Dealer and Investment Fund Manager with the required provincial securities' commissions. Effective Jan. 1, 2019, the fund changed its name from the NWM Private Debt Fund.