



# NICOLA WEALTH

## The Pool

The fundamental investment objective of the Nicola Private Equity Limited Partnership 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.

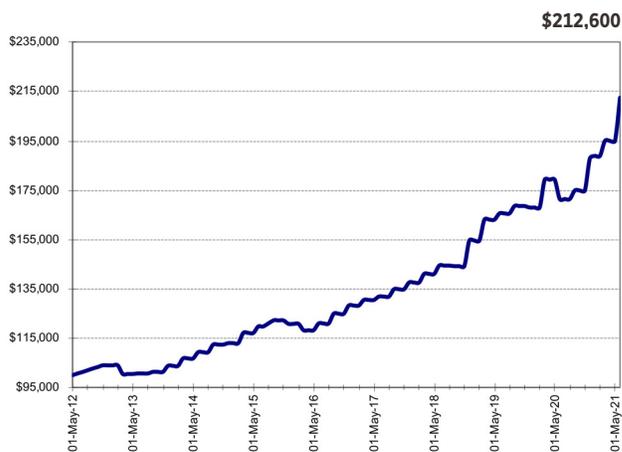
## The Strategy

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.

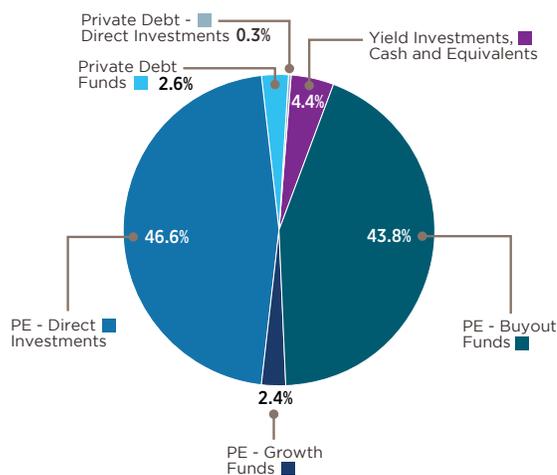
## The Manager

Nicola Wealth, 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.

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



**INVESTMENT MIX BY STRATEGY**  
as of June 30, 2021



<b>Total Assets (millions)</b>	<b>\$530.9</b>
<b>12-Month Trailing Cash Flow Distribution</b>	<b>1.7%</b>
<b>Returns for the period ENDING JUNE 30, 2021</b>	
1 month	9.0%
3 month	9.0%
6 month	13.1%
1 year	24.0%
2 year	13.3%
3 year	13.7%
4 year	12.7%
5 year	11.9%
6 year	10.0%
7 year	10.0%
8 year	9.8%
9 year	8.7%
<b>Since Inception*</b>	<b>8.7%</b>
*May 31st, 2012	

**PERFORMANCE (quarterly returns)**  
as of June 30, 2021

	QTR 1	QTR 2	QTR 3	QTR 4	TOTAL
<b>2021</b>	3.8%	9.0%			<b>13.1%</b>
<b>2020</b>	6.7%	-4.4%	2.0%	7.4%	<b>11.8%</b>
<b>2019</b>	5.5%	1.6%	1.8%	-0.4%	<b>8.7%</b>
<b>2018</b>	2.5%	2.4%	-0.2%	7.2%	<b>12.4%</b>
<b>2017</b>	1.8%	1.1%	2.2%	2.0%	<b>7.3%</b>
<b>2016</b>	-2.1%	2.3%	3.3%	2.7%	<b>6.2%</b>
<b>2015</b>	3.7%	2.3%	2.0%	-1.1%	<b>6.9%</b>
<b>2014</b>	2.9%	2.4%	2.8%	0.5%	<b>8.9%</b>
<b>2013</b>	-3.4%	0.2%	0.6%	2.4%	<b>-0.2%</b>
<b>2012<sup>1</sup></b>		0.7%	2.0%	1.3%	<b>4.0%</b>

**TOP 5 DIRECT INVESTMENTS**  
as of June 30, 2021

	TOTAL
MDA Systems Ltd.	8.7%
Corfin Holdings Inc.	4.3%
Vendasta Technologies Inc.	3.8%
Mara Renewables Corporation	3.1%
Onex Fox LP	3.0%

**TOP 10 FUND INVESTMENTS**  
as of June 30, 2021 (excluding cash)

	TOTAL
Overbay Fund XIV (AIV III) Canada LP	6.5%
Partners Group Private Equity II	6.0%
Northern Private Capital Fund I LP	4.5%
Overbay Fund XIV (AIV VI) Canada LP	3.0%
Headwater Equity Partner II	2.7%
Redbird Series 2019 LP	2.5%
Torquest Partners Fund IV	2.4%
Behrman Capital VI LP	2.3%
Overbay Fund XIV (AIV II) Canada LP	2.2%
Brookfield Infrastructure Fund III	1.9%



# N NICOLA W E A L T H

H2 | 2020 Commentary

**Nicola Private Equity LP returned 7.4% for the quarter. The one, three, and five year returns are +11.8%, +10.9%, and +9.2%, respectively.**

## Returns:

- Returns were strong despite Covid, as our underlying businesses performed well and the portfolio had minimal exposure to pandemic-vulnerable industries.
- Performance was driven by our largest direct investment - MDA, the Canadian space company where we invested alongside our partner, Northern Private Capital. The increase in value was driven by more certainty on key business contracts and a material increase in the pipeline of opportunities over the next several years, as well as plans for an IPO.
- Our next largest direct investment, Micross (formerly known as Corfin), where we invested alongside NY-based Behrman Capital, was also a strong contributor to performance as the business continues to show strong earnings growth.
- The -5.0% decline in the USD during Q4 was a -2.8% headwind to performance as approximately 57% of the pool's assets are denominated in USD.
- We also increased our exposure to Convex, the Specialty Property & Casualty company started by industry-veteran Stephen Catlin. We invested alongside Toronto-based Onex as well as the Singapore Sovereign Wealth Fund, GIC. The P&C industry is experiencing a strong pricing environment, and the capital was raised to take advantage of that and grow their insurance underwriting business.

## Going Forward:

- The path to normal is a long-term positive despite uncertainties on timing. Low interest rates and positive economic growth provide a good environment for the Private Equity asset class.
- Covid-impacted companies' valuations have come down and has created attractive risk-reward opportunities. As the timing of a vaccine-led recovery is still to be determined, we are focusing on quality businesses with flexible cost structures and low/no debt, through structures that provide us downside protection.
- We continue to seek good Partners with compelling strategies, attractive, differentiated deal-flow, strong investment acumen, and invest through compelling structures.
- For the Nicola PE LP, direct investments such as MDA, Corfin and Convex should continue to be accretive to returns, while our fund strategies such as Partners Group PE II and secondary investments provide diversification to the portfolio.

## Recent Activity:

- We invested \$3mn USD in a Secondaries strategy managed by Toronto-based Overbay Capital Partners. Overbay's focus is to invest in mature, high-quality diversified baskets of PE investments at a significant discount to fair value. Exits and liquidity tend to occur sooner given these portfolios are seasoned; and returns tend to occur earlier as we benefit from buying assets at a discount. Our intention is to increase our allocation to secondaries, given their attractive risk-return profile, leveraging Overbay's unique deal flow.

## DISCLOSURE

*This material contains the current opinions of the author and such opinions are subject to change without notice. This material is distributed for informational purposes only. Forecasts, estimates, and certain information contained herein are based upon proprietary research and should not be considered as investment advice or a recommendation of any particular security, strategy or investment product. Information presented here has been obtained from sources believed to be reliable, but not guaranteed. Past performance is not indicative of future results. All investments contain risk and may gain or lose value. Returns are net of limited partnership expenses charged to date. This is not a sales solicitation. Please speak to your Nicola Wealth advisor for advice based on your unique circumstances. This investment is generally intended for tax residents of Canada who are accredited investors. Some residency restrictions may apply. 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. Effective January 1, 2019 all funds branded NWM were changed to the fund family name Nicola.*

<sup>1</sup>The 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.