



The Nicola U.S. Mortgage Fund invests in a diversified portfolio of real estate debt secured by U.S. commercial real estate.

For Investors Seeking...

- Access to mortgage investment assets in the U.S. leveraging our extensive experience owning commercial real estate in the U.S.
- Stable income, capital preservation, & diversification
- Medium to long-term investment opportunities

Key Highlights

1. **ACCESS** to the world's largest commercial real estate market (approximately 60x larger than the Canadian market).
2. **DEFENSIVE** senior secured position in the property's capital structure reduces downside risk to the strategy and clients.
3. Returns are generated from monthly mortgage loan payments made by borrowers, which allows the fund to target a **STABLE INCOME STREAM**.
4. **DIVERSIFICATION** to complement our Canadian mortgage investment strategy enhancing portfolio risk management while targeting attractive risk-adjusted returns.
5. Utilization of a **LEVERAGE** loan strategy in the market to enhance the yield on whole first mortgage loans.

Why Invest?

Floating Rate Exposure



Floating-rate commercial mortgage loans provide consistency through periods of interest rate volatility

Capital Preservation



Secured by real estate, with extensive property, market, borrower analysis and due diligence

Target Performance



Return targets of between 5 - 6% annually, net of fees

Attributes of U.S. Secured Real Estate Debt



Large Investable Universe

- The U.S. commercial real estate (CRE) lending sector has a vast market, with about \$4.7 trillion in outstanding mortgage debt.
- \$400-\$450B of commercial real estate loans will mature annually over the next few years.

Source: "Investment Opportunities in U.S. Private Commercial Mortgages. MetLife Investment Management. October 13, 2020.



Higher Recovery Rates and Lower Loss Rates

Higher Recovery

- Commercial mortgage loans are secured by commercial real estate properties, and have greater structuring flexibility, improving the lender's ability to recover their principal and interest in the event of default.

Lower Loss Rates

- Loss rates: between 2009 and 2019, the commercial mortgage portfolios of large publicly traded insurance companies achieved a weighted average cumulative loss rate of 1.8%.
- This compares to a 11.2% credit loss rate for the universe of investment grade and below investment grade corporate bonds during the same period.

Source: "Investment Opportunities in U.S. Private Commercial Mortgages. MetLife Investment Management. October 13, 2020.

Comparison of Fixed Income Recovery Rates

Senior secured commercial mortgage loans	70-80%
Senior secured corporate bonds	63%
Senior unsecured corporate bonds	48%
Subordinate corporate bonds	28%
Commercial Mortgage-Backed Securities (CMBS)	57%

Source: "Investment Opportunities in U.S. Private Commercial Mortgages. MetLife Investment Management. October 13, 2020.



Strong Relative Value

Core commercial real estate debt outperforms other real estate assets, like CMBS or Mortgage REITs, from a risk-return perspective.

Asset Type	Annual Returns	Standard Deviation	Return/Unit of Risk
Core Commercial Real Estate Debt	7.45%	5.53%	0.794
Core CRE Equity	8.16%	7.37%	0.632
Public Investment-Grade Debt	12.77%	16.92%	0.567
Stocks	6.94%	5.61%	0.741

Data set: Average annual returns and risk (1985-2019) Source: "The Case for Core Real Estate Debt: An "All Season." Strategic Investment Opportunity. Ares Management Corp. October 2020.

Objective:

The Nicola U.S. Mortgage Fund seeks to provide unitholders with a stable level of interest income while also seeking to preserve capital.

Strategy:

The Nicola U.S. Mortgage Fund seeks to invest in a diversified portfolio of mortgage loans and other securities invested in loans secured by mortgages on real property, both directly and indirectly, located in the United States. This fund employs a leveraged loan strategy to enhance yield and occasionally use interest rate swaps or other derivatives to reduce interest rate volatility.

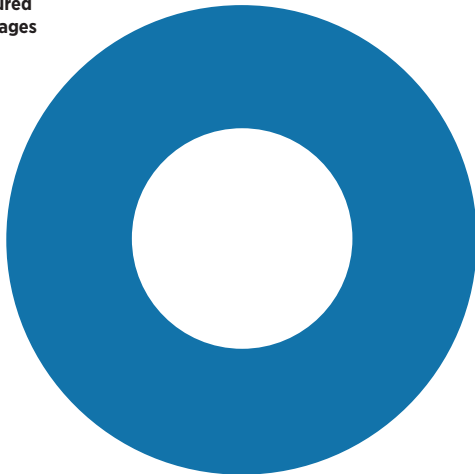
Fund Details:

Fund Code \$CAD	NWM290
Fund Code \$USD	NWM291
DRIP Eligible	Yes
Distribution Type	Primarily Interest Income
Currency Hedge	No
Redemption Notice	6 Months
Registered Account Eligible	Yes
Inception Date	29-Apr-22

TARGET SECURITY RANKING*

*Target Security Rankings may change over time

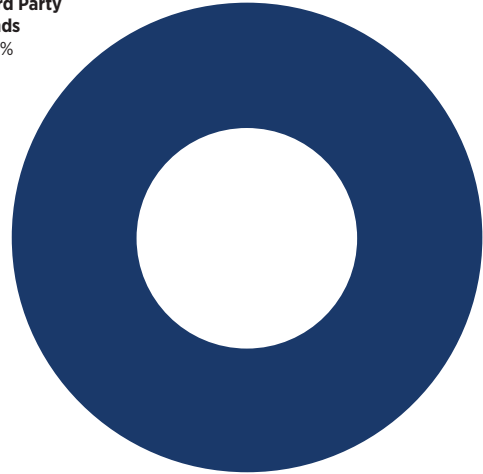
Senior Secured
First Mortgages
100%



TARGET INVESTMENT TYPE*

*Target Investment Type may change over time

Third Party
Funds
100%



Disclaimer

This is not a sales solicitation. This investment is intended for tax residents of Canada who are accredited investors. Residency restrictions apply. Please read the relevant documentation for additional details and important disclosure information, including terms of redemption and limited liquidity.

This summary contains targeted returns; actual returns may vary. Please speak to your Nicola Wealth advisor for advice based on your unique circumstances. All investments contain risk and may gain or lose value. Nicola Wealth is registered as a Portfolio Manager, Exempt Market Dealer and Investment Fund Manager with the required securities commissions.