

# Nicola Private Debt Fund Quarterly Report | Q3 2024

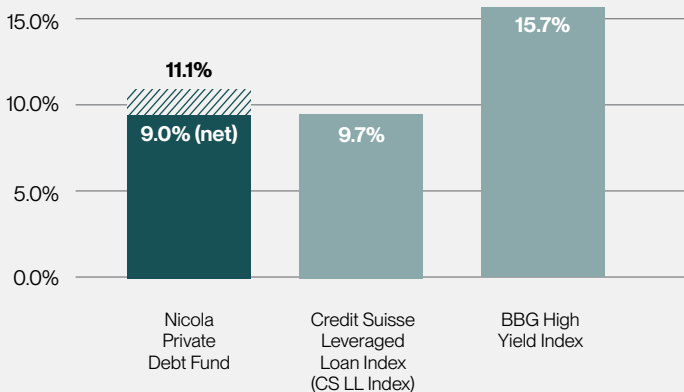
## Objective

The objective of the Nicola Private Debt Fund ("Nicola PDF" or the "Fund") is to achieve a high level of current income and some capital appreciation, while emphasizing capital preservation.

## Strategy

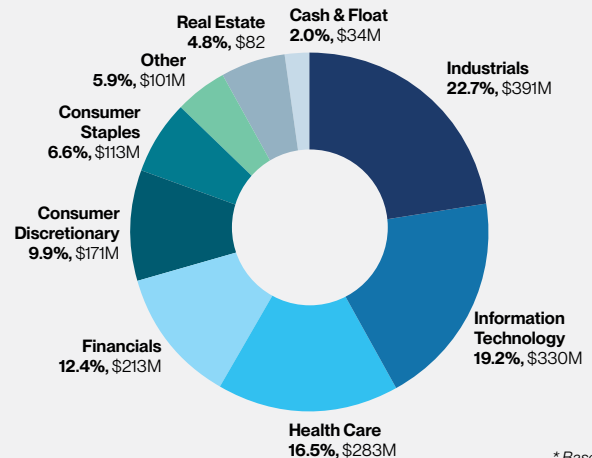
The Fund combines direct investing in private debt, and a fund-of-funds approach to earn an attractive premium above the returns of publicly traded, noninvestment-grade fixed income securities. The Fund diversifies across managers, regions, industries and strategies, and the portfolio enables investment access across a wide set of attractive private and public debt opportunities. The Fund may also invest in cash, cash equivalents, BDCs, MREITS, publicly traded credit and CLOs. The Fund may employ the use of leverage and currency hedging.

### LAST TWELVE MONTHS PERFORMANCE as of September 30, 2024\*



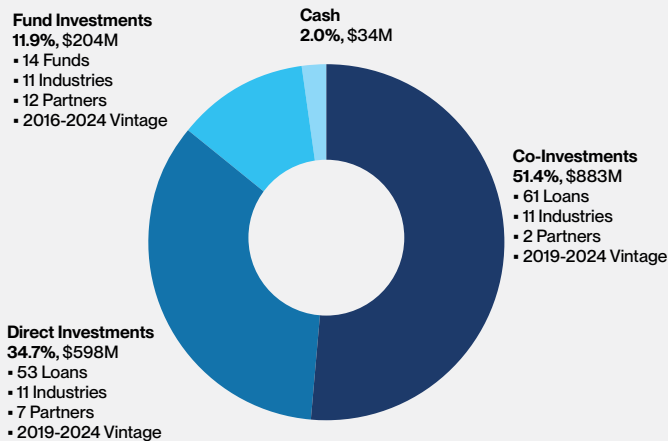
\* Gross returns

### INVESTMENTS BY SECTOR as of September 30, 2024\*



\* Based on AUM

### INVESTMENTS BY TYPE as of September 30, 2024\*



\* Based on AUM

### Returns for the period ENDING as of September 30, 2024

QTD	2.4%
YTD	6.5%
1 year	9.0%
3 year	7.8%
5 year	7.9%
10 year	-
Since inception**	7.5%

\*\* October 31, 2017

## Performance

Nicola PDF returned +2.4% during Q3 2024, bringing 1-year returns to 9.0%. Recent performance has been driven by:

1. Contractual cash interest income from the Fund's direct and co-investments which made up 34.7% and 54.1%, respectively, of the portfolio as of quarter-end.
2. Our 95% allocation to floating rate loans, which has provided an opportunity for incremental return amid elevated interest rates.
3. A slight adjustment in leverage which has increased to 0.31x from 0.19x at year-end but remains conservative.

The current gross levered yield on the Fund's investment portfolio is 11.9%.

The Fund has generated a 14.0% distribution to investors over the last twelve months, well exceeding the 8.0% target distribution.

Gross Asset Value ("GAV") reached C\$1.7B as at quarter-end (C\$1.3B in Net Assets) and has grown 44% over the last year.

## New Investments & Realizations

The Fund reviewed 45 opportunities in Q3, ultimately deploying C\$257M across 16 new investments and incremental capital calls from existing investments. New investments made during the quarter included:



### GoAuto

*First Lien Term Loan*

**What they do:** A vertically integrated non-standard auto ("NSA") insurance platform that distributes, markets, and underwrites NSA insurance policies to consumers.



### CalibreScientific

*First Lien Term Loan*

**What they do:** A diversified global provider of life science reagents, tools, instruments, and other consumables to lab research, diagnostics, industrial, and biopharmaceutical communities.

## Project Bulwark

*First Lien Term Loan*

**What they do:** A leading New England-based fire protection services provider.

The Fund also realized six direct investments in the quarter totaling C\$58M and earning a weighted-average IRR and MOIC of 13.7% and 1.15x, respectively.

## Our Thoughts On:

### The Market

Private debt yields continue to benefit from elevated benchmark interest rates. Borrowers who may have struggled to pay higher interest costs have begun to see coverage ratio pressures ease as central banks begin cutting target rates. Loan spreads have tightened compared to 2023, as financing opportunities have seen greater competition between lenders looking to deploy dry powder amid limited private equity M&A activity.

### Our Fund

From an underwriting perspective, we believe the Fund's broad and diverse deal pipeline, along with detailed due diligence and careful investment selection, will continue to play a critical role in 2024. Key characteristics we seek in borrowers include a clear competitive advantage; low capital intensity; diversified customer and supplier base; recurring revenue model and strong margins; experienced management team with aligned incentives; and resilient, through-the-cycle performance.

Nicola PDF maintains a strategic focus on U.S. middle-market businesses with US\$25M+ in EBITDA. The Fund's weighted average EBITDA on direct and co-investments is ~US\$80M. The Fund takes a diversified investment approach and holds over 100 positions in the portfolio, with no single direct investment accounting for over 2.0% of AUM. The Nicola Wealth Private Debt investment team believes there is limited rationale for taking concentrated positions in a portfolio of yield-oriented credit investments.

We continue to favour senior secured debt for downside protection given the uncertain macroeconomic environment.

## Top Direct/Co-investments

Investment	%AUM	Description
Project Wave	1.8%	First Lien Term Loan to a healthcare patient engagement platform.
Project Iris	1.8%	First Lien Term Loan to an optometry clinic consolidator.
Project Greenpark	1.6%	NAV Loan secured by 27 real estate assets across the Europe and the United States.
Project Transform	1.6%	First Lien Term Loan to a provider of critical digital transformation services to enterprise and upper middle market customers.
Project Victory	1.6%	First Lien Term Loan to a health insurance and benefits management service provider.
Project Diagnostic	1.4%	First Lien Term Loan to a diversified global provider of life science reagents, tools, instruments, and other consumables.
Project Breeze	1.4%	First Lien Term Loan to a provider of highly engineered commercial HVAC solutions and services.
Project Robotto	1.4%	First Lien Term Loan to a value-added distributor of high-reliability semiconductors.
Project Converse	1.3%	First Lien Term Loan to a provider of residential exterior services.
Project Connect	1.3%	First Lien Term Loan to a global business networking organization.

*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. Past performance is not indicative of future results. All investments contain risk and may gain or lose value. Returns are net of fund expenses charged to date. Comparisons of the historical performance of Nicola Wealth funds or models to the historical performance of indexes, mutual funds or other investment vehicles should only be undertaken with consideration of the differences that exist between the underlying investments that comprise the compared investment vehicles. Indexes may be primarily composed of a single asset type/asset class (i.e. 100% equities or 100% bonds) whereas Nicola Wealth funds may or may not contain a combination of exchange-traded equities, marketable bonds, private investments, other alternative investment classes and exempt products. When making any comparison of historical performance, these differences and their impact on the performance of each comparable should be taken into account. 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. Please speak to your Nicola Wealth advisor for advice based on your unique circumstances. Nicola Wealth Management Ltd. (Nicola Wealth) is registered as a Portfolio Manager, Exempt Market Dealer and Investment Fund Manager with the required securities commissions.*