

Nicola Private Debt Fund Quarterly Report | Q4 2024

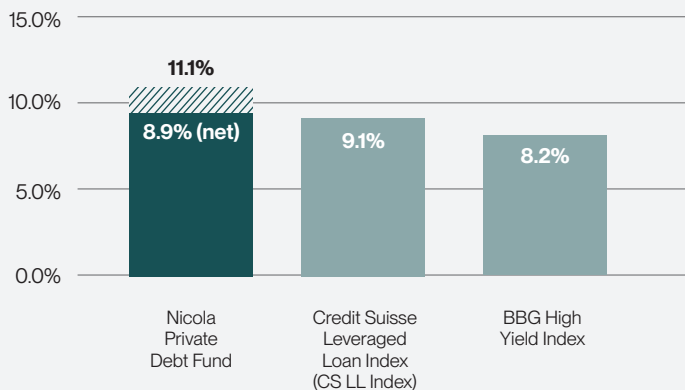
Objective

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

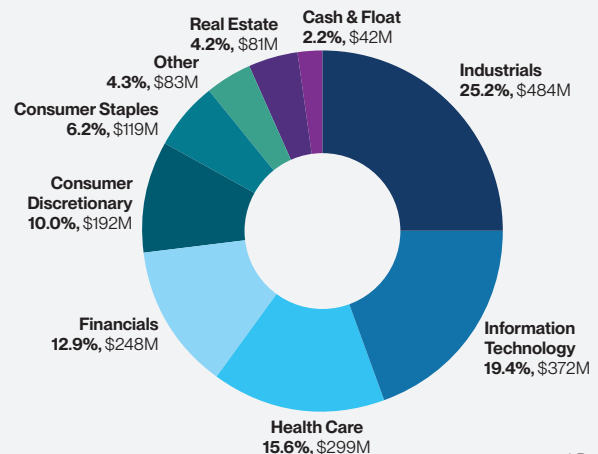
The Fund combines direct investing in private debt, and a fund-of-funds approach to earn an attractive premium above the returns of publicly traded, noninvestment-grade fixed income securities. The Fund diversifies across managers, regions, industries and strategies, and the portfolio enables investment 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 December 31, 2024*



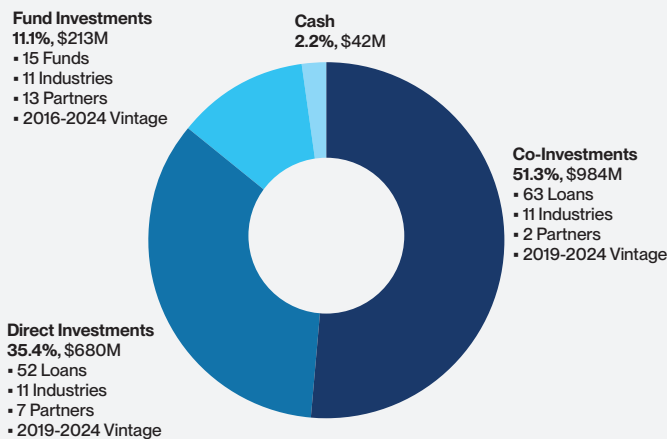
* Gross returns

INVESTMENTS BY SECTOR as of December 31, 2024*



* Based on AUM

INVESTMENTS BY TYPE as of December 31, 2024*



* Based on AUM

Returns for the period ENDING as of December 31, 2024

QTD	2.3%
YTD	8.9%
1 year	8.9%
3 year	7.9%
5 year	8.1%
10 year	-
Since inception*	7.6%

*October 31, 2017

Performance

Nicola PDF returned +2.3% during Q4 2024, bringing 1-year returns to 8.9%. Recent performance has been driven by:

1. Contractual cash interest income from the Fund's direct and co-investments which made up 35.4% and 51.3%, 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 conservative level of leverage, which has increased to 0.37x from 0.19x one year ago.

The approximate current gross levered yield on the Fund's investment portfolio is 12.0%.

The Fund has generated a 9.0% distribution to investors over the last twelve months, in line with our 9.0% target distribution.

Gross Asset Value ("GAV")¹ reached C\$1.9B as at quarter-end (C\$1.4B in Net Assets) and has grown 57% over the last year.

New Investments & Realizations

The Fund reviewed 53 opportunities in Q4, ultimately deploying C\$167M across 9 new investments and incremental capital calls from existing investments. New investments made during the quarter included:

Project Winter

First Lien Term Loan

What they do: A provider of subscription-based commercial ice machine rental and maintenance, repair, and overhaul services.

Project Tornado

First Lien Term Loan

What they do: A provider of trenchless water and wastewater infrastructure rehabilitation products and services.

Project Cornerstone

First Lien Term Loan

What they do: A retail insurance brokerage firm focused on providing commercial P&C and employee benefits solutions to middle market clients.

The Fund also realized seven direct investments in the quarter totaling C\$60M and earning a weighted-average IRR and MOIC of 12.7% and 1.22x, 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 embarked on initial cuts to target rates. Loan spreads were tighter this year compared to 2023, as financing opportunities saw 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, thorough due diligence, and careful investment selection will continue to play a critical role in 2025. 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\$15M+ in EBITDA. The Fund's weighted average EBITDA on direct and co-investments is over US\$80M. The Fund takes a diversified investment approach and holds over 115 positions in the portfolio, with no single direct investment accounting for over 2.1% 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 high degree of uncertainty in the macroeconomic environment.

¹ Gross Asset Value ("GAV") represents the total assets in the fund, including leverage

Top Direct/Co-investments

Investment	%AUM	Description
Project Victory	2.1%	First Lien Term Loan to a health insurance and benefits management service provider.
Project Iris	1.8%	First Lien Term Loan to an optometry clinic consolidator.
Project Wave	1.7%	First Lien Term Loan to a healthcare patient engagement platform.
Project Greenpark	1.5%	NAV loan secured by 27 real estate assets across the UK, France, Greece, Ireland, Spain, Germany, Poland, and the USA.
Project Diagnostic	1.5%	First Lien Term Loan to a global developer, manufacturer, & distributor of consumable products & services for the life sciences & diagnostics markets.
Project Transform	1.5%	First Lien Term Loan to a leading provider of critical digital transformation services to enterprise and upper middle market customers.
Project Winter	1.4%	First Lien Term Loan to a provider of subscription-based commercial ice machine rental and maintenance, repair, and overhaul services.
Project Robotto	1.3%	First Lien Term Loan to a value-added distributor of high-reliability semiconductors.
Project Breeze	1.3%	First Lien Term Loan to a provider of highly engineered commercial HVAC solutions and services.
Project Converse	1.3%	First Lien Term Loan to a provider of residential exterior services.

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