



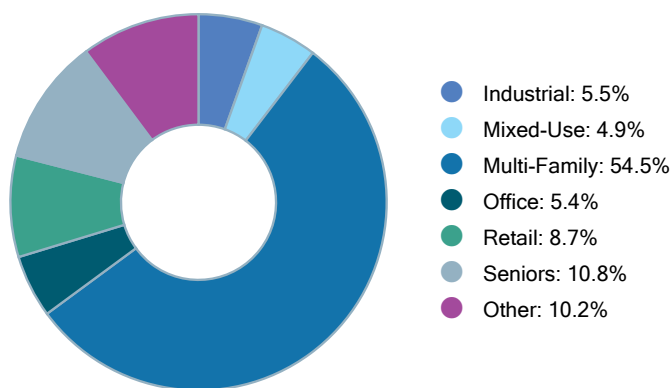
OBJECTIVE

The Nicola Balanced Mortgage Fund's objective is to provide clients with capital preservation and a stable income with a modest spread over traditional fixed income investments, using Nicola's extensive real estate and fixed income expertise to actively manage a pool of mortgage investments with a moderate risk tolerance.

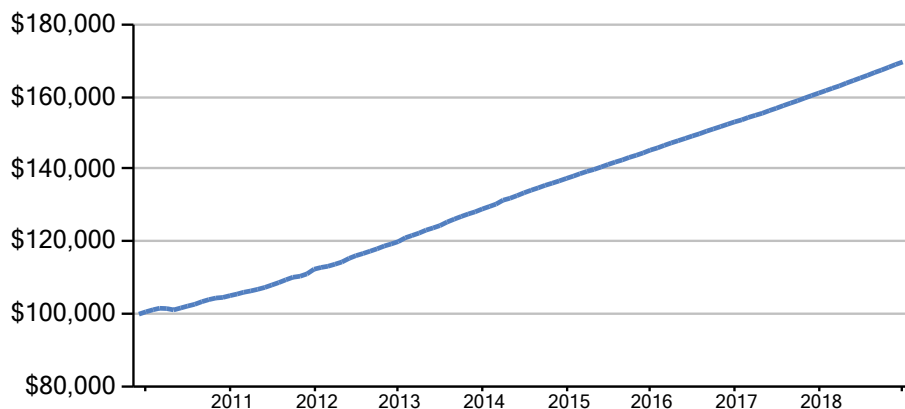
STRATEGY

Invest in primarily second ranking mortgages with moderate loan-to-value ratios, secured by Canadian commercial real estate with positive cash flow. Mortgages are sourced from respected industry partners with extensive market experience, deep technical expertise, and diverse borrower relationships.

Gross Asset Value by Type as of December 31, 2018



\$100,000 Invested Since Inception



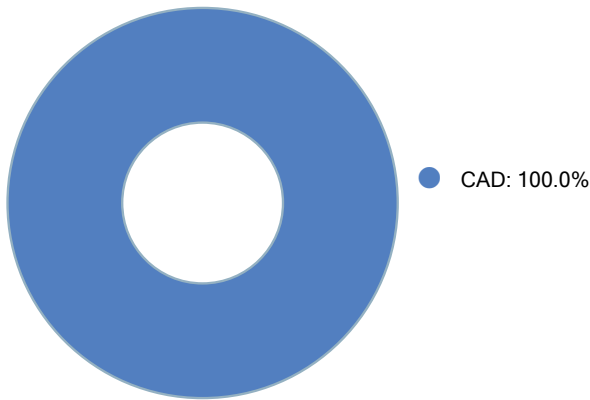
Stated in Canadian dollars

Key Statistics	
Inception Date	November, 2009
Net Asset Value	\$508.3 Million
NAV Per Unit (Class O)	\$10.07
Number of Assets	117
Net Yield	5.5%
Trailing 12 Month Distribution	5.0%
Average Loan Balance	\$3.81 Million
Weighted Average Remaining Term	1.8 years
Debt Service Coverage Ratio	1.44x
Weighted Average Loan-to-Value	62.1%

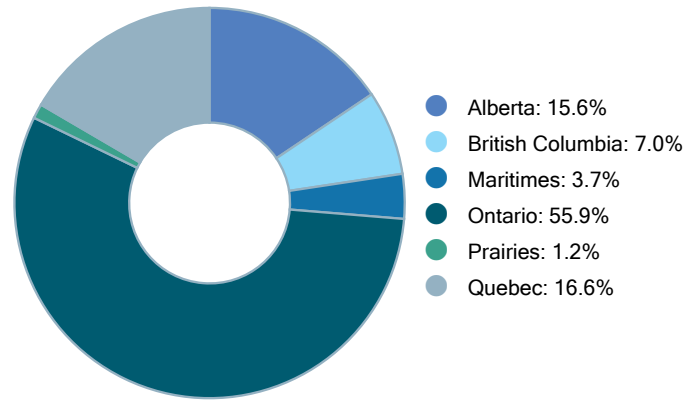
Calendar Year Returns	
2018	5.3%
2017	5.2%
2016	5.3%
2015	5.7%
2014	6.5%

Returns for the period ending December 31, 2018	
Year-to-Date	5.3%
1 Year	5.3%
3 Year	5.3%
5 Year	5.6%
10 Year	N/A
Since Inception	6.0%

Currency Exposure



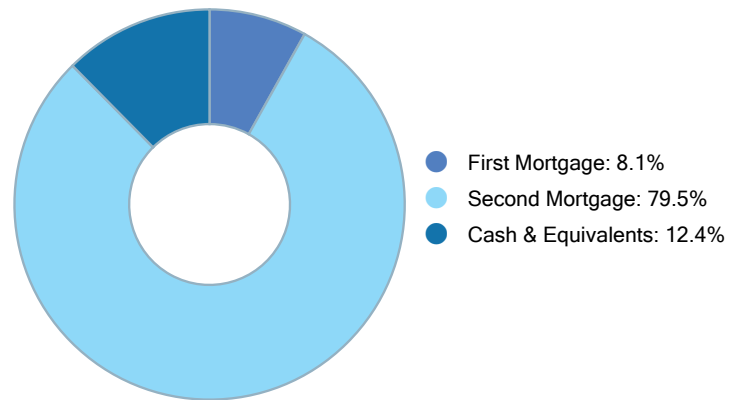
Gross Asset Value by Location



Investment Activity

	Current Quarter	YTD
Loans Funded	11 (\$50.3m)	38 (\$176.8m)
Loans Repaid	12 (\$44.1m)	43 (\$132.2m)

Mortgage Type



Commentary

The Nicola Balanced Mortgage Fund ended Q4 2018 with total AUM of \$508.3m. Investment activity included \$50.3m in new mortgage loans funded, which included retail shopping centres, rental apartment buildings, and industrial buildings. There were \$44.1m in loan repayments this quarter, including a large \$18.3m loan that matured in December. The Balanced Mortgage Fund ended the quarter with 12.2% of assets in cash or short-term cash-like investments. All loans are performing with no impairments.

The second mortgage market remains active for commercial properties in major markets across Canada. However, there remains a significant amount of capital available in this segment of the mortgage market, keeping interest rates stable despite recent increases to the prime rate. We continue to seek lending opportunities secured by quality cash flow generating commercial real estate.

Our origination platform has been expanded this quarter, as we established a new relationship with an experienced Canadian mortgage lender who will assist in sourcing qualified mortgage investment opportunities for Nicola Wealth. Balanced Mortgage funded an initial \$15.0m in mortgage loans with this lender in the quarter.

For more information on this fund’s monthly performance, click [here](#).

Past performance is not indicative of future results. All investments contain risk and may gain or lose value. The YTD and 1 year return is a historical simple return. The 3, 5, 10 year and since inception returns are annualized compounded total returns. All returns are net of fund-level fees and expenses, including management fees and performance fees (if applicable). Please refer to the disclosure documents for 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. Please speak with a Nicola Wealth advisor to discuss if this investment is right for you. Effective Jan. 1, 2019, the fund changed its name from the NWM Balanced Mortgage Fund.