



# 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.

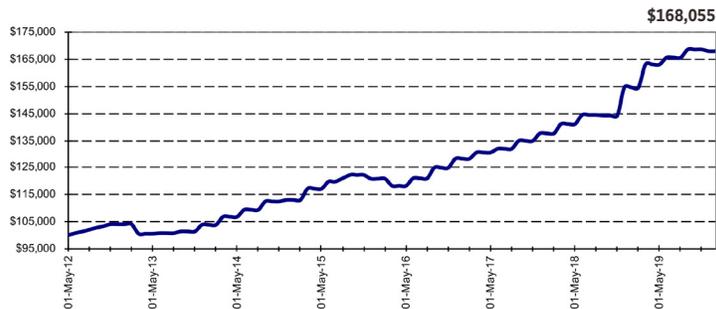
## The Strategy

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

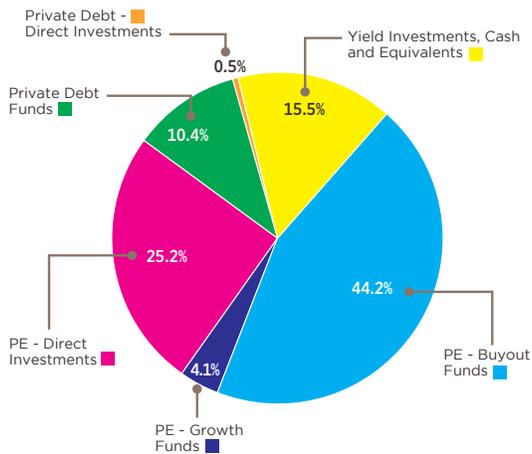


### PERFORMANCE (quarterly returns) as of February 29, 2020

	Q1	Q2	Q3	Q4	TOTAL
<b>2020</b>					
<b>2019</b>	5.5%	1.6%	1.8%	-0.4%	8.7%
<b>2018</b>	2.5%	2.4%	-0.2%	7.2%	12.4%
<b>2017</b>	1.8%	1.1%	2.2%	2.0%	7.3%
<b>2016</b>	-2.1%	2.3%	3.3%	2.7%	6.2%
<b>2015</b>	3.7%	2.3%	2.0%	-1.1%	6.9%
<b>2014</b>	2.9%	2.4%	2.8%	0.5%	8.9%
<b>2013</b>	-3.4%	0.2%	0.6%	2.4%	-0.2%
<b>2012<sup>1</sup></b>		0.7%	2.0%	1.3%	4.0%

Total Assets (millions) \$274.4	
12-Month Trailing Cash Flow Distribution 4.0%	
Returns for the period ENDING FEBRUARY 29, 2020	
1 month	0.0%
3 month	-0.4%
6 month	1.4%
1 year	8.7%
2 year	10.5%
3 year	9.4%
4 year	8.6%
5 year	8.3%
6 year	8.4%
7 year	7.1%
<b>Since Inception*</b>	<b>6.9%</b>
*May 31st, 2012	

### Investment Mix by Strategy as of December 31, 2019



### Top 5 Direct Investments as of December 31, 2019

	TOTAL
Corfin Holdings Inc.	5.0%
Onex Fox LP	3.9%
Palladin Partners A B C, LP	3.4%
Elevation Brandings Holdings	2.1%
BID Group - Highland West	1.9%
<b>SUM</b>	<b>16.3%</b>

### Top 10 Fund Investments as of December 31, 2019 (excluding cash)

	TOTAL
Partners Group Private Equity II	7.4%
Oaktree Mezzanine Fund IV	4.0%
Brookfield Infrastructure Fund III	3.8%
Behrman Capital VI LP	3.2%
Northern Private Capital Fund I LP	3.1%
Torquest Partners Fund IV	3.0%
Headwater Equity Partner II	2.8%
Harbourvest Partners Co-Investment Fund IV LP	2.7%
Brookfield Infrastructure Fund II	2.6%
Northleaf Global PE Fund VI	2.2%
<b>SUM</b>	<b>34.6%</b>

## Disclosure

- Past performance is not indicative of future results.
- Returns are net of fund expenses.
- This investment is only available for sale to residents of Canada who are accredited investors. Please read the Limited Partnership Agreement and subscription documents for additional details and important disclosure information, including terms of redemption and limited liquidity.
- Effective Jan. 1, 2019, the fund changed its name from the NWM Private Equity LP.

- Nicola Wealth is registered as a Portfolio Manager, Exempt Market Dealer and Investment Fund Manager with the required provincial securities' commissions.

<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.

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# NICOLA WEALTH

H2 | 2019 Commentary

The Nicola Private Equity LP returned +8.7% in 2019, the three and five year returns were +9.4% and +8.3% respectively.

## Performance:

- Our direct investments performed well over the past year: the New Hampshire-based industrial components company that we invested in with New York-based Behrman Capital, continued to appreciate in value on record earnings, mainly organic as well as by acquisitions. BID, an investment we made with Vancouver-based Highland West Capital, is a forestry machinery company that was also written-up during the year on strong earnings growth, driven by strong demand from the US South. Other strong performers include Frost Fighter, a portable-heater manufacturer, an investment we made with our local PE partner, Headwater.
- Our pooled fund investments overall posted good returns, although we did experience some drag from PE funds with derivative energy exposure, as well as our private debt investments which have a lower expected return than Private Equity – these were made prior to the launch of the Nicola Private Debt Fund and will wind down in the next two years. PE Fund managers that performed well include our Canadian managers Torquest and Headwater.
- Currency was the largest headwind which was an estimated 2.6% drag on one-year returns, as approximately half of the Nicola Private Equity LP's investments are US dollar-denominated. This exposure will hurt when the US dollar is weak but a tailwind to returns when the US dollar is stronger.

## Activity during the last six months:

- We invested in a globally-diversified evergreen Private Equity fund managed by Partners Group (PG) – a \$94bn USD AUM PE manager headquartered in Zug, Switzerland, with a large presence in the US. The firm has 1400 professionals across 20 offices worldwide, and 33 dedicated operators and Industry Value Creation professionals. PG makes control investments in strong cashflowing businesses with good earnings visibility and clear value-add opportunities. The region diversification and focus on larger private companies helps further diversify the Nicola Private Equity LP.
- We also directly invested in a well-recognized space firm, MDA, alongside Northern Private Capital, a PE manager that we also have a fund investment with. This was a \$1bn carve-out from Maxar, a US publicly traded company who was selling assets in order to pay down its debt. MDA is a 2000 person Canadian company with operations in Richmond, Montreal, Brampton, Ottawa, Halifax and the UK. Their competitive advantages in the space industry, strong growth outlook driven by multiple major contracts in a variety of their business segments made for a compelling investment opportunity. MDA's key businesses include design and manufacturing Satellite Antenna, Space Robotics, Satellite Ground Stations, and Defense.

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