

Nicholas Equity Income Fund (NSEIX)

Style: Equity Income, Growth

December 31, 2009

Portfolio Manager: Albert (Ab) O. Nicholas, CFA

Investment Philosophy:

The advisor invests in high quality companies that meet our investment criteria, which includes

- Attractive dividend yield
- A strategic position within their industry
- An enduring franchise, product or brand
- Consistent, or improving, earnings growth and free cash flow
- Low debt levels
- Reputable management with meaningful stock ownership
- Out-of-favor or undiscovered companies
- Stock price below long-term potential value

Investment Approach:

Nicholas Equity Income Fund seeks to provide investors with a reasonable stream of income along with long-term capital growth through a diversified portfolio of stocks with attractive dividend yields. The Fund will invest in small- to large-sized companies with capitalizations generally between \$1 to \$100 billion. The Fund is typically benchmarked against the Standard & Poor's 500 Index over a market cycle.

Portfolio Information:

Date of Inception:	11/23/1993
Net Assets:	\$54.3 million
Number of Holdings:	47
Weighted Avg. Trailing P/E:	16.89x
Weighted Avg. Forward P/E:	16.4x
Weighted Avg. Market Cap.:	\$22,002.2 million
Weighted Median Market Cap.:	\$3,208.0 million
Weighted Harmonic Avg. Price/Book:	2.22x
Last 3 yrs EPS Growth:	3.71%
Turnover Rate:	41.03% (09/30/09) ⁽¹⁾
Standard Deviation:	14.43% 10-Yr ⁽²⁾
Sharpe Ratio:	0.30 10-Yr ⁽²⁾
	⁽¹⁾ Annualized
	⁽²⁾ Average Annual

Top 10 Holdings:

% of Net Assets

Integrus Energy Group, Inc.	3.25%
Microchip Technology Incorporated	2.94%
Dorchester Minerals, L.P.	2.94%
Healthcare Services Group, Inc.	2.81%
National Presto Industries, Inc.	2.78%
Oshkosh Corporation	2.73%
Pfizer Inc.	2.68%
AT&T Inc.	2.58%
ABM Industries Incorporated	2.54%
Altria Group, Inc.	2.53%
	<u>27.78%</u>

Lipper Rankings:

	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>
Ranking	7%	3%	4%	7%
# of Funds	299	246	189	104

Category: Equity Income

Source: Lipper, as of December 31, 2009. ⁽³⁾

Lipper Ranking Scale: 1% - Highest; 100% Lowest

Performance History: as of December 31, 2009

	<u>Quarter</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>
Nicholas Equity Income	7.60%	34.54%	1.36%	5.32%	6.32%
S&P 500	6.04%	26.46%	-5.63%	0.42%	-0.95%
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Nicholas Equity Income	34.54%	-23.59%	1.29%	24.92%	-0.39%
S&P 500	26.46%	-37.00%	5.49%	15.79%	4.91%

Expense Ratio: (Absent Reimbursement): 1.17%

Expense Ratio: 0.90%

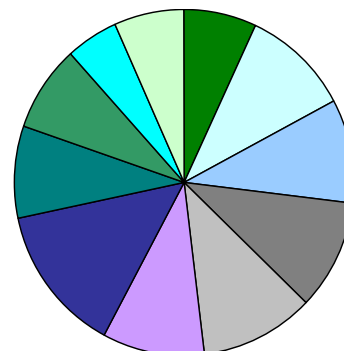
The Adviser voluntarily absorbed expenses in excess of .90% of the Fund's Class I average net assets on an annual basis during the fiscal year ended March 31, 2009. This absorption continues today, however, the Adviser may decrease or discontinue this at any time. The most recent expenses ratios can be found in the Fund's current annual or semiannual report.

30-Day SEC Yield: 3.56%

Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by visiting www.nicholasfunds.com/returns.html or calling 1-800-544-6547.

Sector Weightings:

% of Portfolio



■ Cash 6.92%
□ Consumer Discretionary 10.38%
□ Consumer Staples 9.55%
■ Energy 10.35%
□ Financials 10.8%
□ Health Care 9.82%
■ Industrials 13.96%
■ Info Technology 8.55%
■ Materials 8%
■ Telecomm Services 5.03%
□ Utilities 6.64%

The Fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The prospectus contains this and other important information about the investment company, and it may be obtained by visiting www.nicholasfunds.com. Read it carefully before investing.

Diversification does not assure a profit or protect against loss in a declining market.

The Fund may invest in smaller companies, which involve additional risks such as limited liquidity and greater volatility. Additionally, the Fund may invest in debt securities. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities.

Please refer to Page 2 for additional disclosures.

⁽³⁾**Lipper Analytical Services, Inc.** is an independent mutual fund research and rating service. Each Lipper average represents a universe of Funds with similar investment objectives. Rankings for the periods shown are based on Fund total returns with dividends and distributions reinvested and do not reflect sales charges.

S&P 500 Index is a broad based unmanaged index of 500 stocks, which is widely recognized as representative of the equity market in general. You cannot invest directly in an index.

Investment performance reflects fee waivers in effect. In the absence of such waivers, total return and yield would be reduced.

Fund holdings and/or sector weightings are subject to change at any time and are not recommendations to buy or sell any security.

Glossary of Terms:

Standard Deviation	Standard Deviation is a statistical measure of the historical volatility of a mutual fund or portfolio, usually computed using 36 monthly returns.
Sharpe Ratio	A measure of a fund's historical returns adjusted for risk, or volatility.
Harmonic Price/Book	Price per share divided by book value per share. The harmonic function reduces the impact of outliers in the denominator on the aggregate calculation.
Dividend Yield	An indication of the income generated by a share of stock. Represents average dividend yield on the securities in the portfolio, not the actual dividend yield on the portfolio.
Price/Earning	Price per share divided by earnings per share.
EPS	Company total earnings divided by outstanding shares.