

Nicholas High Income Fund Class I (NCINX)

Style: High Yield Corporate Bonds

December 31, 2011

Portfolio Manager: Lawrence J. Pavelec, CFA

Investment Philosophy:

The advisor invests in high quality, long-term growth companies that meet our investment criteria, which includes

- A strategic position within their industry
- An enduring franchise, product or brand
- Consistent, or improving, earnings growth and free cash flow
- Reputable management with meaningful stock ownership
- Out-of-favor or undiscovered companies
- Financial strength to meet debt obligations

Investment Approach:

Nicholas High Income Fund seeks to provide a high level of current income by investing in a diversified portfolio of primarily high yield corporate bonds. The Fund's secondary objective of total return is pursued by investing securities that offer the opportunity for price appreciation in addition to high income. The Fund is typically benchmarked against the B of A Merrill Lynch U.S. High Yield Master II Constrained Index (BAML US HY II C) over a market cycle.

Portfolio Information:

Date of Inception:	11/21/1977
Net Assets:	\$93.8 million
Number of Holdings:	107
Weighted Average Quality:	B1
Weighted Average Duration:	3.38 years
Turnover Rate:	81.11% (06/30/11) ⁽¹⁾
Standard Deviation:	9.15% 10-Yr ⁽²⁾
Sharpe Ratio:	0.42 10-Yr ⁽²⁾
	⁽¹⁾ Annualized
	⁽²⁾ Average Annual

Top 10 Holdings:

	% of Net Assets
CDW LLC	2.42%
Zayo Group, LLC	2.21%
Pinnacle Foods Finance LLC	2.13%
Tesoro Corporation	1.75%
MGM Resorts International	1.69%
HCA Inc.	1.65%
SandRidge Energy, Inc.	1.63%
Helix Energy Solutions Group, Inc.	1.62%
CKE Restaurants, Inc.	1.58%
FMG Resources Pty Ltd	1.57%
	<u>18.25%</u>

Morningstar Ratings:

	Overall	3 Year	5 Year	10 Year
Rating	★★	★★	★★★	★
# of Funds	499	499	430	291

Category: High Yield Bond

Source: Morningstar, as of December 31, 2011.

The Overall Morningstar Rating™ for a fund is derived from a weighted average of the risk-adjusted performance figures associated with its three-, five- and ten year (if applicable) Morningstar Rating™ metrics. ⁽³⁾

Performance History: as of December 31, 2011

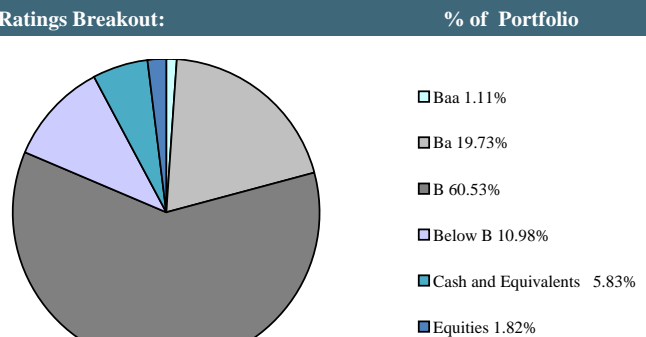
	Quarter	1 Year	3 Year	5 Year	10 Year
Nicholas High Income Fund	6.50%	4.93%	17.38%	4.86%	5.44%
BAML US HY II C	6.19%	4.37%	23.83%	7.54%	8.73%
BAML US HY BB-B	5.88%	5.43%	20.83%	6.68%	7.74%
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Nicholas High Income Fund	4.93%	12.99%	36.42%	-23.26%	2.13%
BAML US HY II C	4.37%	15.07%	58.10%	-26.11%	2.53%
BAML US HY BB-B	5.43%	14.50%	46.14%	-23.71%	2.68%

Expense ratio: 0.74%

30-Day SEC Yield: 7.79%

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.

Ratings Breakout:



Ratings breakout based on Moodys ratings.

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.

Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. Investment by the Fund in lower-rated and non-rated securities presents a greater risk of loss to principal and interest than higher-rated securities.

Please refer to Page 2 for additional disclosures.

Bank of America Merrill Lynch U.S. High Yield Master II Constrained Index (BAML US HY II C) is a market value-weighted index of all domestic and yankee high-yield bonds, including deferred interest bonds and payment-in-kind securities. Issues included in the index have maturities of one year or more and have a credit rating lower than BBB-/Baa3, but are not in default. The Merrill Lynch U.S. High Yield Master II Constrained Index limits any individual issuer to a maximum of 2% benchmark exposure.

Bank of America Merrill Lynch U.S. High Yield BB-B Rated Index (BAML US HY BB-B) is an unmanaged market index comprised of various fixed income securities rated BB and B.

You cannot invest directly in an index.

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

Glossary of Terms:

Cash flow	Cash flow measures the cash generating capability of a company by adding non-cash charges (e.g. depreciation) and interest expense to pretax income.
EPS	Company total earnings divided by outstanding shares.
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.