

# SEMIANNUAL REPORT

March 31, 2010

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## NICHOLAS II, INC.

*CONSISTENCY in a WORLD of CHANGE*



700 NORTH WATER STREET  
MILWAUKEE, WISCONSIN 53202  
[WWW.NICHOLASFUNDS.COM](http://WWW.NICHOLASFUNDS.COM)



# NICHOLAS II, INC.

May 2010

Dear Fellow Shareholders:

What a difference a year makes. Last year at this time the world was in the throes of one of the worst financial meltdowns since the Great Depression. Job losses were running at about 800,000 a month, credit markets had seized up and were not functioning, global stock markets were tanking, and banks were on the verge of collapse. One year later, job losses have slowed, credit markets have thawed, global markets have recovered and the banking system is functioning. In fact, most large banks have paid their TARP funds back to the government. Coordinated government monetary and fiscal action has been extremely effective in healing the credit crisis and stimulating economic activity. This has caused investors to reengage in the stock and bond markets creating large gains.

For the one-year period ending March 31, 2010, Nicholas II Class I returned 42.86%, reflecting the recovery in equity markets. Returns for Nicholas II, Inc. Class I and Class N and selected indices are provided in the chart below for the periods ended March 31, 2010.

	6 Month	Average Annual Total Returns			
		1 Year	3 Year	5 Year	10 Year
Nicholas II, Inc. – Class I . . . . .	11.46%	42.86%	-0.27%	3.70%	2.88%
Nicholas II, Inc. – Class N (linked to Class I) . . . . .	11.32%	42.49%	-0.58%	3.36%	2.71%
Russell Midcap Growth Index . . . . .	14.88%	63.00%	-2.04%	4.27%	-1.69%
Russell 2000 Index . . . . .	13.07%	62.76%	-3.99%	3.36%	3.68%
Morningstar Mid-Cap Growth Category . . . . .	12.82%	55.35%	-2.27%	3.86%	-0.51%
Standard and Poor's 500 Index . . . . .	11.75%	49.77%	-4.17%	1.92%	-0.65%
Ending value of \$10,000 invested in Nicholas II, Inc. – Class I . . . . .	\$11,146	\$14,286	\$9,918	\$11,993	\$13,286
Ending value of \$10,000 invested in Nicholas II, Inc. – Class N (linked to Class I) . . . . .	\$11,132	\$14,249	\$9,826	\$11,798	\$13,064

Fund's Class I Expense Ratio (from 01/31/10 Prospectus): 0.72%

Fund's Class N Expense Ratio (from 04/30/10 Prospectus): 0.98%

The Fund's expense ratios for the period ended March 31, 2010 can be found in the financial highlights included within this report.

*Performance data quoted represents past performance and is no guarantee of 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](http://www.nicholasfunds.com/returns.html).*

*The Fund's returns are reduced by expenses, while the market indices are not. The ending values above illustrate the performance of a hypothetical \$10,000 investment made in the Fund over the timeframes listed. Assumes reinvestment of dividends and*

capital gains, but does not reflect the effect of any applicable sales charge or redemption fees. Returns shown do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. These figures do not imply any future performance.

*Class N of the Fund commenced operations on February 28, 2005. The annual returns shown for the Class I shares for this Fund would be substantially similar to the Class N because both classes of shares are invested in the same portfolio of securities. Annual returns will generally differ only to the extent that the classes do not have the same expenses. Specifically, the performance shown for the Class I shares does not reflect the 0.25% 12b-1 fee or 0.10% servicing fee that is charged to Class N shares.*

The recovery of the market over the last year was broad based; however, the best performing stocks were those of the lowest quality as defined by companies with large debt positions and highly cyclical earnings. In particular, financial firms that use a high degree of leverage and commodity stocks performed the best off the bottom. Our investment philosophy focuses on the higher quality companies which tend to perform better in down markets. Therefore, the Fund underperformed during the year, but has produced better returns over the long term, taking into account the bear market of 2008. Always keep in mind, the more you lose, the harder it is to get back.

All sectors had positive returns for the one-year period ended March 31, 2010; however, as mentioned earlier, financials and energy, along with consumer discretionary and technology, were the best performers for the year. Retail stocks in particular were strong performers as these stocks were left for dead last year when investors were fearful consumers would cut way back. As the year progressed, these companies cut expenses and were able to maintain profitability, even though sales were weak, creating better than expected earnings throughout the year.

The Fund's underperformance relative to its benchmark was mainly from the consumer discretionary and technology sectors, whereas the healthcare sector helped performance. The Fund's current allocation consists of approximately 21% information technology, 20% consumer, 20% healthcare, 18% industrials and 11% financials.

One year ago was a great time for investors to put money to work because there was a lot of fear in the street. Now, there seems to be a lot less fear. We remain positive on the long-term prospects of the market as the economy continues to improve; however, as the government stimulus plans wind down there will be more risk. Interest rates may rise as the government finances deficit spending. Taxes most likely will rise putting a governor on future growth. We believe the recovery will be slow and unemployment will remain high. Therefore, we will continue to focus the portfolio on high quality companies selling at reasonable valuations.

Thank you for your continued support.

Sincerely,



David O. Nicholas  
Portfolio Manager

**The Fund may invest in smaller companies, which involve additional risks such as limited liquidity and greater volatility.**

Please refer to the schedule of investments in the report for complete fund holdings information. Fund holdings and sector allocations are subject to change and should not be considered a recommendation to buy or sell any security.

The Russell Midcap Growth Index measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. The Russell 2000 Index measures the performance of the 2000 smallest companies in the Russell 3000 Index, which represents approximately 10% of the total market capitalization of the Russell 3000 Index. The Standard and Poor's 500 Index is a broad based unmanaged index of 500 stocks, which is widely recognized as representative of the equity market in general. One cannot invest directly in an index. Each Morningstar Category average represents a universe of Funds with similar investment objectives.

**Must be preceded or accompanied by a prospectus.**

The Nicholas Funds are distributed by Quasar Distributors, LLC. (05/10)

# Financial Highlights Class I (NCTWX)

For a share outstanding throughout each period

	Six Months Ended 03/31/2010 (unaudited)	Years Ended September 30,				
		2009	2008	2007	2006	2005
NET ASSET VALUE,						
BEGINNING OF PERIOD	\$17.02	\$19.15	\$25.18	\$23.11	\$23.50	\$21.88
INCOME (LOSS) FROM INVESTMENT OPERATIONS						
Net investment income	.04 <sup>(1)</sup>	.11 <sup>(1)</sup>	.10 <sup>(1)</sup>	.08 <sup>(1)</sup>	.04 <sup>(1)</sup>	.01
Net gain (loss) on securities (realized and unrealized)	1.91	(1.01)	(3.46)	3.10	1.73	2.52
Total from investment operations	1.95	(.90)	(3.36)	3.18	1.77	2.53
LESS DISTRIBUTIONS						
From net investment income	(.10)	(.11)	(.10)	(.06)	(.01)	—
From net capital gain	—	(1.12)	(2.57)	(1.05)	(2.15)	(.91)
Total distributions	(.10)	(1.23)	(2.67)	(1.11)	(2.16)	(.91)
NET ASSET VALUE, END OF PERIOD	\$18.87	\$17.02	\$19.15	\$25.18	\$23.11	\$23.50
TOTAL RETURN	11.46% <sup>(2)</sup>	(2.86)%	(14.65)%	14.19%	7.85%	11.74%
SUPPLEMENTAL DATA:						
Net assets, end of period (millions)	\$419.2	\$384.7	\$421.8	\$539.9	\$536.8	\$546.0
Ratio of expenses to average net assets	.69% <sup>(3)</sup>	.72%	.67%	.66%	.67%	.70%
Ratio of net investment income to average net assets	.45% <sup>(3)</sup>	.78%	.44%	.34%	.19%	.02%
Portfolio turnover rate	31.85% <sup>(3)</sup>	32.86%	27.48%	19.56%	16.90%	20.80%

(1) Computed based on average shares outstanding.

(2) Not annualized.

(3) Annualized.

The accompanying notes to financial statements are an integral part of these highlights.

# Financial Highlights Class N (NNTWX)

For a share outstanding throughout each period

	Six Months Ended 03/31/2010 (unaudited)	Years Ended September 30,				Period from 02/28/2005 <sup>(1)</sup> to 09/30/2005
		2009	2008	2007	2006	
NET ASSET VALUE,						
BEGINNING OF PERIOD . . . . .	\$16.87	\$19.04	\$25.03	\$23.00	\$23.45	\$22.59
INCOME (LOSS) FROM INVESTMENT OPERATIONS						
Net investment income (loss) . . . . .	.02 <sup>(2)</sup>	.07 <sup>(2)</sup>	.03 <sup>(2)</sup>	(.00) <sup>(2)(3)</sup>	(.03) <sup>(2)</sup>	(.02)
Net gain (loss) on securities (realized and unrealized) . . .	1.89	(1.02)	(3.44)	3.08	1.71	.88
Total from investment operations . . . . .	1.91	(.95)	(3.41)	3.08	1.68	.86
LESS DISTRIBUTIONS						
From net investment income . . . . .	(.07)	(.10)	(.01)	—	—	—
From net capital gain . . . . .	—	(1.12)	(2.57)	(1.05)	(2.13)	—
Total distributions . . . . .	(.07)	(1.22)	(2.58)	(1.05)	(2.13)	—
NET ASSET VALUE, END OF PERIOD . . . . .	<u>\$18.71</u>	<u>\$16.87</u>	<u>\$19.04</u>	<u>\$25.03</u>	<u>\$23.00</u>	<u>\$23.45</u>
TOTAL RETURN . . . . .	11.32% <sup>(4)</sup>	(3.17)%	(14.92)%	13.77%	7.49%	3.81% <sup>(4)</sup>
SUPPLEMENTAL DATA:						
Net assets, end of period (millions) . . . . .	\$39.6	\$31.9	\$1.8	\$0.8	\$0.8	\$0.5
Ratio of expenses to average net assets . . . . .	0.98% <sup>(5)</sup>	.98%	1.02%	1.01%	1.02%	1.06% <sup>(5)</sup>
Ratio of net investment income (loss) to average net assets . . . . .	0.16% <sup>(5)</sup>	.48%	.09%	(.01)%	(.16)%	(.24)% <sup>(5)</sup>
Portfolio turnover rate . . . . .	31.85% <sup>(5)</sup>	32.86%	27.48%	19.56%	16.90%	20.80% <sup>(5)</sup>

(1) Commencement of operations.

(2) Computed based on average shares outstanding.

(3) The amount rounds to \$0.00.

(4) Not annualized.

(5) Annualized.

The accompanying notes to financial statements are an integral part of these highlights.

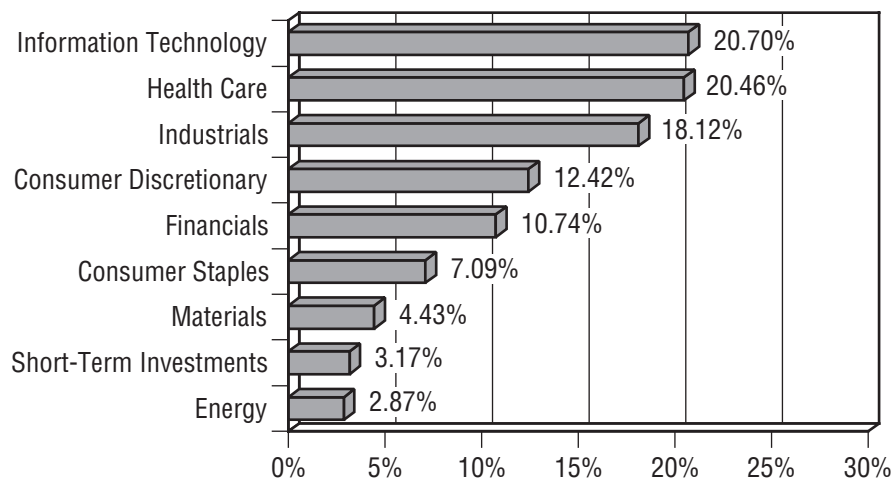
# Top Ten Equity Portfolio Holdings

March 31, 2010 (unaudited)

<b>Name</b>	<b>Percentage of Net Assets</b>
Willis Group Holdings PLC .....	2.09%
Harris Corporation .....	1.92%
Hormel Foods Corporation .....	1.83%
Kinder Morgan Management, LLC .....	1.78%
Microchip Technology Incorporated .....	1.77%
Fastenal Company .....	1.76%
PetSmart, Inc. ....	1.74%
IDEX Corporation .....	1.71%
ConAgra Foods, Inc. ....	1.69%
VCA Antech, Inc. ....	1.68%
Total of top ten .....	<u>17.97%</u>

## Sector Diversification (As a Percentage of Portfolio)

March 31, 2010 (unaudited)



# Fund Expenses

For the six month period ended March 31, 2010 (unaudited)

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs and (2) ongoing costs, including management fees and other operating expenses. The following table is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with those of other mutual funds.

The example is based on an investment of \$1,000 made at the beginning of the period and held for the entire period.

The first line of the table below for each share class of the Fund provides information about the actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

The second line of the table below provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratios for each class of the Fund and an assumed rate of return of 5% per year before expenses, which are not the Fund's actual returns. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund with other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as wire fees. Therefore, the second line of the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

## Class I

	Beginning Account Value 09/30/09	Ending Account Value 03/31/10	Expenses Paid During Period* 10/01/09 - 03/31/10
Actual	\$1,000.00	\$1,114.60	\$3.64
Hypothetical (5% return before expenses)	1,000.00	1,021.56	3.48

\* Expenses are equal to the Class I six-month annualized expense ratio of 0.69%, multiplied by the average account value over the period, multiplied by 182 then divided by 365 to reflect the one-half year period.

# Fund Expenses (continued)

For the six month period ended March 31, 2010 (unaudited)

Class N

	<u>Beginning Account Value 09/30/09</u>	<u>Ending Account Value 03/31/10</u>	<u>Expenses Paid During Period** 10/01/09 - 03/31/10</u>
Actual	\$1,000.00	\$1,113.20	\$5.16
Hypothetical (5% return before expenses)	1,000.00	1,020.11	4.94

\*\* Expenses are equal to the Class N six-month annualized expense ratio of 0.98%, multiplied by the average account value over the period, multiplied by 182 then divided by 365 to reflect the one-half year period.

# Schedule of Investments

March 31, 2010 (unaudited)

<u>Shares or Principal Amount</u>		<u>Value</u>
<b>COMMON STOCKS — 96.94%</b>		
<b>Consumer Discretionary – Media — 1.14%</b>		
155,000	DIRECTV – Class A* .....	\$ 5,240,550
<b>Consumer Discretionary – Retail — 8.62%</b>		
200,000	Aaron's, Inc. ....	6,668,000
112,100	Kohl's Corporation* .....	6,140,838
270,000	LKQ Corporation* .....	5,481,000
165,000	O'Reilly Automotive, Inc.* .....	6,882,150
250,000	PetSmart, Inc. ....	7,990,000
150,000	TJX Companies, Inc. (The) .....	6,378,000
		<u>39,539,988</u>
<b>Consumer Discretionary – Services — 2.67%</b>		
155,000	Darden Restaurants, Inc. ....	6,903,700
140,000	Yum! Brands, Inc. ....	5,366,200
		<u>12,269,900</u>
<b>Consumer Staples – Food, Beverage &amp; Tobacco — 7.10%</b>		
310,000	ConAgra Foods, Inc. ....	7,771,700
200,000	Hormel Foods Corporation .....	8,402,000
150,000	McCormick & Company, Inc. ....	5,754,000
85,000	Ralcorp Holdings, Inc.* .....	5,761,300
350,000	Sara Lee Corporation .....	4,875,500
		<u>32,564,500</u>
<b>Energy — 2.87%</b>		
40,000	Cameron International Corporation* .....	1,714,400
35,000	Continental Resources, Inc.* .....	1,489,250
138,940	Kinder Morgan Management, LLC* .....	8,144,670
115,000	Weatherford International Ltd.* .....	1,823,900
		<u>13,172,220</u>
<b>Financials – Banks — 2.89%</b>		
90,000	BB&T Corporation .....	2,915,100
57,750	Commerce Bancshares, Inc. ....	2,375,835
50,000	Cullen/Frost Bankers, Inc. ....	2,790,000
30,000	M & T Bank Corporation .....	2,381,400
345,000	Marshall & Ilsley Corporation .....	2,777,250
		<u>13,239,585</u>
<b>Financials – Diversified — 4.87%</b>		
67,500	Affiliated Managers Group, Inc.* .....	5,332,500
185,000	Eaton Vance Corp. ....	6,204,900
230,000	Raymond James Financial, Inc. ....	6,150,200
85,000	T. Rowe Price Group, Inc. ....	4,669,050
		<u>22,356,650</u>

The accompanying notes to financial statements are an integral part of this schedule.

# Schedule of Investments (continued)

March 31, 2010 (unaudited)

Shares or Principal Amount		Value
<b>COMMON STOCKS — 96.94% (continued)</b>		
<b>Financials – Insurance — 2.99%</b>		
230,000	Brown & Brown, Inc. ....	\$ 4,121,600
307,000	Willis Group Holdings PLC .....	9,606,030
		<u>13,727,630</u>
<b>Health Care – Equipment — 7.82%</b>		
90,000	Beckman Coulter, Inc. ....	5,652,000
195,000	DENTSPLY International Inc. ....	6,795,750
105,000	IDEX Laboratories, Inc.* .....	6,042,750
110,000	ResMed Inc.* .....	7,001,500
105,000	Smith & Nephew plc .....	5,256,300
125,000	St. Jude Medical, Inc.* .....	5,131,250
		<u>35,879,550</u>
<b>Health Care – Pharmaceuticals &amp; Biotechnology — 9.00%</b>		
85,000	Allergan, Inc. ....	5,552,200
115,000	Covance Inc.* .....	7,059,850
165,000	Gilead Sciences, Inc.* .....	7,504,200
70,000	Mettler-Toledo International Inc.* .....	7,644,000
105,000	Teva Pharmaceutical Industries Ltd. ....	6,623,400
133,920	Thermo Fisher Scientific Inc.* .....	6,888,845
		<u>41,272,495</u>
<b>Health Care – Services — 3.66%</b>		
52,500	DaVita, Inc.* .....	3,328,500
290,000	Eclipsys Corporation* .....	5,765,200
275,000	VCA Antech, Inc.* .....	7,708,250
		<u>16,801,950</u>
<b>Industrials – Capital Goods — 9.50%</b>		
205,000	AECOM Technology Corporation* .....	5,815,850
140,000	AMETEK, Inc. ....	5,804,400
168,000	Fastenal Company .....	8,062,320
237,500	IDEX Corporation .....	7,861,250
95,000	ITT Corporation .....	5,092,950
165,000	Pentair, Inc. ....	5,877,300
120,000	Westinghouse Air Brake Technologies Corporation .....	5,054,400
		<u>43,568,470</u>
<b>Industrials – Commercial Services &amp; Supplies — 4.28%</b>		
125,000	FTI Consulting, Inc.* .....	4,915,000
100,000	IHS Inc. – Class A* .....	5,347,000
70,000	Manpower Inc. ....	3,998,400
250,000	Ritchie Bros. Auctioneers Incorporated .....	5,382,500
		<u>19,642,900</u>

The accompanying notes to financial statements are an integral part of this schedule.

# Schedule of Investments (continued)

March 31, 2010 (unaudited)

Shares or Principal Amount		Value
<b>COMMON STOCKS — 96.94% (continued)</b>		
<b>Industrials – Transportation — 4.36%</b>		
80,000	C.H. Robinson Worldwide, Inc. ....	\$ 4,468,000
143,000	Expeditors International of Washington, Inc. ....	5,279,560
140,000	Landstar System, Inc. ....	5,877,200
285,000	UTi Worldwide Inc. ....	4,366,200
		<u>19,990,960</u>
<b>Information Technology – Hardware &amp; Equipment — 7.52%</b>		
185,000	FLIR Systems, Inc.* ....	5,217,000
185,000	Harris Corporation ....	8,785,650
170,000	Juniper Networks, Inc.* ....	5,215,600
300,000	QLogic Corporation* ....	6,090,000
165,000	Teradata Corporation* ....	4,766,850
148,750	Zebra Technologies Corporation – Class A* ....	4,403,000
		<u>34,478,100</u>
<b>Information Technology – Semiconductors &amp; Semiconductor Equipment — 5.43%</b>		
215,000	Altera Corporation ....	5,226,650
195,000	Avago Technologies Limited* ....	4,009,200
150,000	Linear Technology Corporation ....	4,242,000
288,750	Microchip Technology Incorporated ....	8,131,200
130,000	Xilinx, Inc. ....	3,315,000
		<u>24,924,050</u>
<b>Information Technology – Software &amp; Services — 7.78%</b>		
135,000	Accenture plc – Class A ....	5,663,250
345,000	Activision Blizzard, Inc. ....	4,160,700
120,000	Akamai Technologies, Inc.* ....	3,769,200
110,000	ANSYS, Inc.* ....	4,745,400
229,499	Fidelity National Information Services, Inc. ....	5,379,457
135,937	Fiserv, Inc.* ....	6,900,162
165,000	Paychex, Inc. ....	5,065,500
		<u>35,683,669</u>
<b>Materials — 4.44%</b>		
35,000	Air Products and Chemicals, Inc. ....	2,588,250
60,000	Airgas, Inc. ....	3,817,200
241,400	Bemis Company, Inc. ....	6,933,008
160,000	Ecolab Inc. ....	7,032,000
		<u>20,370,458</u>
	<b>TOTAL COMMON STOCKS</b>	
	(cost \$316,521,778) ....	<u>444,723,625</u>

The accompanying notes to financial statements are an integral part of this schedule.

# Schedule of Investments (continued)

March 31, 2010 (unaudited)

Shares or Principal Amount		Value
<b>SHORT-TERM INVESTMENTS — 3.17%</b>		
<b>Commercial Paper — 2.92%</b>		
\$ 800,000	Time Warner Cable Inc. 04/01/10, 0.20%	\$ 800,000
950,000	Volkswagen of America, Inc. 04/05/10, 0.24%	949,975
1,350,000	XTO Energy Inc. 04/05/10, 0.20%	1,349,970
600,000	BMW US Capital, LLC 04/06/10, 0.30%	599,975
1,000,000	Integrus Energy Group, Inc. 04/07/10, 0.27%	999,955
100,000	BMW US Capital, LLC 04/08/10, 0.30%	99,994
750,000	Volkswagen of America, Inc. 04/08/10, 0.27%	749,961
1,250,000	Wisconsin Energy Corporation 04/09/10, 0.21%	1,249,930
1,010,000	Hitachi Capital America Corp. 04/12/10, 0.32%	1,009,901
1,280,000	XTO Energy Inc. 04/12/10, 0.22%	1,279,914
750,000	Clorox Corporation 04/13/10, 0.25%	749,938
650,000	ITT Corporation 04/14/10, 0.27%	649,937
675,000	BMW US Capital, LLC 04/15/10, 0.28%	674,926
650,000	Stanley Works (The) 04/15/10, 0.30%	649,924
600,000	H.J. Heinz Finance Company 04/23/10, 0.22%	599,919
975,000	Stanley Works (The) 04/27/10, 0.30%	974,789
		<u>13,389,008</u>
<b>Variable Rate Security — 0.25%</b>		
1,155,456	American Family Financial Services, Inc. 04/01/10, 0.10% <sup>(1)</sup>	1,155,456
	<b>TOTAL SHORT-TERM INVESTMENTS</b>	
	(cost \$14,544,464)	<u>14,544,464</u>
	<b>TOTAL INVESTMENTS</b>	
	(cost \$331,066,242) — 100.11%	<u>459,268,089</u>
	<b>LIABILITIES, NET OF OTHER ASSETS — (0.11)%</b>	<u>(505,604)</u>
	<b>TOTAL NET ASSETS</b>	
	(basis of percentages disclosed above) — 100%	<u>\$458,762,485</u>

\* Non-income producing security.

(1) Subject to a demand feature as defined by the Securities and Exchange Commission.

The accompanying notes to financial statements are an integral part of this schedule.

# Statement of Assets and Liabilities

March 31, 2010 (unaudited)

ASSETS	
Investments in securities at value (cost \$331,066,242) .....	\$459,268,089
Receivables –	
Investment securities sold .....	944,744
Dividend and interest .....	295,973
Capital stock subscription .....	2,197
Total receivables .....	<u>1,242,914</u>
Other .....	67,066
Total assets .....	<u>\$460,578,069</u>
LIABILITIES	
Payables –	
Investment securities purchased .....	1,521,503
Due to adviser –	
Management fee .....	208,345
Accounting and administrative fee .....	9,674
Total .....	<u>218,019</u>
12b-1 and servicing fee .....	18,899
Other payables and accrued expense .....	57,163
Total liabilities .....	<u>1,815,584</u>
Total net assets .....	<u>\$458,762,485</u>
NET ASSETS CONSIST OF	
Paid in capital .....	\$329,487,501
Net unrealized appreciation on investments .....	128,201,847
Accumulated undistributed net realized gain on investments .....	623,400
Accumulated undistributed net investment income .....	449,737
Total net assets .....	<u>\$458,762,485</u>
Class I:	
Net assets .....	\$419,178,034
Shares outstanding .....	22,212,141
NET ASSET VALUE PER SHARE (\$.01 par value, 125,000,000 shares authorized), offering price and redemption price .....	<u>\$18.87</u>
Class N:	
Net assets .....	\$39,584,451
Shares outstanding .....	2,115,879
NET ASSET VALUE PER SHARE (\$.01 par value, 75,000,000 shares authorized), offering price and redemption price .....	<u>\$18.71</u>

The accompanying notes to financial statements are an integral part of this statement.

# Statement of Operations

For the six months ended March 31, 2010 (unaudited)

INCOME	
Dividend (net of foreign taxes of \$13,120) .....	\$ 2,429,666
Interest .....	29,631
Total income .....	<u>2,459,297</u>
EXPENSES	
Management fee .....	1,168,661
Transfer agent fees .....	117,167
Accounting and administrative fees .....	54,070
12b-1 fees – Class N .....	42,997
Registration fees .....	29,714
Postage and mailing .....	28,286
Printing .....	19,890
Audit and tax fees .....	14,300
Servicing fees – Class N .....	12,570
Insurance .....	12,522
Custodian fees .....	10,718
Directors' fees .....	10,275
Accounting system and pricing service fees .....	5,794
Legal fees .....	5,231
Other operating expenses .....	4,061
Total expenses .....	<u>1,536,256</u>
Net investment income .....	<u>923,041</u>
NET REALIZED GAIN ON INVESTMENTS .....	<u>7,201,377</u>
CHANGE IN NET UNREALIZED	
APPRECIATION/DEPRECIATION ON INVESTMENTS .....	<u>39,490,236</u>
Net realized and unrealized gain on investments .....	<u>46,691,613</u>
Net increase in net assets resulting from operations .....	<u>\$47,614,654</u>

The accompanying notes to financial statements are an integral part of this statement.

# Statements of Changes in Net Assets

For the six months ended March 31, 2010 (unaudited)  
and the year ended September 30, 2009

	<b>Six Months Ended 03/31/2010</b>	<b>Year Ended 09/30/2009</b>
<b>INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS</b>		
Net investment income . . . . .	\$ 923,041	\$ 2,688,470
Net realized gain (loss) on investments . . . . .	7,201,377	(6,577,978)
Change in net unrealized appreciation/depreciation on investments . . . . .	39,490,236	(7,563,942)
Net increase (decrease) in net assets resulting from operations . . . . .	<u>47,614,654</u>	<u>(11,453,450)</u>
<b>DISTRIBUTIONS TO SHAREHOLDERS</b>		
From net investment income – Class I . . . . .	(2,129,851)	(2,318,178)
From net realized gain on investments – Class I . . . . .	—	(24,232,747)
From net investment income – Class N . . . . .	(154,485)	(91,632)
From net realized gain on investments – Class N . . . . .	—	(1,059,677)
Total distributions . . . . .	<u>(2,284,336)</u>	<u>(27,702,234)</u>
<b>CAPITAL SHARE TRANSACTIONS</b>		
Proceeds from shares issued – Class I (407,698 and 688,157 shares, respectively) . . . . .	7,240,714	9,924,599
Reinvestment of distributions – Class I (111,674 and 1,888,058 shares, respectively) . . . . .	1,992,262	24,941,246
Cost of shares redeemed – Class I (909,074 and 2,000,126 shares, respectively) . . . . .	(16,052,540)	(28,918,535)
Proceeds from shares issued – Class N (648,977 and 3,137,740 shares, respectively) . . . . .	11,109,583	46,503,945
Reinvestment of distributions – Class N (8,723 and 85,441 shares, respectively) . . . . .	154,399	1,120,991
Cost of shares redeemed – Class N (434,107 and 1,423,831 shares, respectively) . . . . .	(7,653,871)	(21,342,519)
Change in net assets derived from capital share transactions . . . . .	<u>(3,209,453)</u>	<u>32,229,727</u>
Total increase (decrease) in net assets . . . . .	<u>42,120,865</u>	<u>(6,925,957)</u>
<b>NET ASSETS</b>		
Beginning of period . . . . .	<u>416,641,620</u>	<u>423,567,577</u>
End of period (including accumulated undistributed net investment income of \$449,737 and \$1,811,032, respectively) . . . . .	<u>\$458,762,485</u>	<u>\$416,641,620</u>

The accompanying notes to financial statements are an integral part of these statements.

# Notes to Financial Statements

March 31, 2010 (unaudited)

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## (1) Summary of Significant Accounting Policies —

Nicholas II, Inc. (the “Fund”) is organized as a Maryland corporation and is registered as an open-end, diversified management investment company under the Investment Company Act of 1940, as amended. The primary objective of the Fund is long-term growth. The following is a summary of the significant accounting policies of the Fund:

- (a) Equity securities traded on a stock exchange will ordinarily be valued on the basis of the last sale price on the date of valuation on the securities principal exchange, or if in the absence of any sale on that day, the closing bid price. For securities principally traded on the NASDAQ market, the Fund uses the NASDAQ Official Closing Price. Debt securities, excluding short-term investments, are valued at their current evaluated bid price as determined by an independent pricing service, which generates evaluations on the basis of dealer quotes for normal institutional-sized trading units, issuer analysis, bond market activity and various other factors. Securities for which market quotations may not be readily available are valued at their fair value as determined in good faith by procedures adopted by the Board of Directors. Variable rate demand notes are valued at cost, which approximates market value. U.S. Treasury Bills and commercial paper are stated at amortized cost, which approximates market value. The Fund did not maintain any positions in derivative instruments or engage in hedging activities during the year. Investment transactions for financial statement purposes are recorded on trade date.

In accordance with Accounting Standards Codification (“ASC”) 820-10, “Fair Value Measurements and Disclosures” (“ASC 820-10”), fair value is defined as the price that the Fund would receive upon selling an investment in a timely transaction to an independent buyer in the principal or most advantageous market of the investment. ASC 820-10 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, for example, the risk inherent in a particular valuation technique used to measure fair value including such as a pricing model and/or the risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

Level 1 – quoted prices in active markets for identical investments

Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)

Level 3 – significant unobservable inputs (including the Fund’s own assumptions in determining the fair value of investments)

# Notes to Financial Statements (continued)

March 31, 2010 (unaudited)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used as of March 31, 2010 in valuing the Fund's investments carried at value:

<b><u>Valuation Inputs</u></b>	<b><u>Investments in Securities</u></b>
Level 1 –	
Common Stocks <sup>(1)</sup>	\$444,723,625
Level 2 –	
Commercial Paper	13,389,008
Variable Rate Security	1,155,456
Level 3 –	
None	—
Total	<u>\$459,268,089</u>

(1) See Schedule of Investments for further detail by industry.

- (b) Net realized gain (loss) on portfolio securities was computed on the basis of specific identification.
- (c) Dividend income is recorded on the ex-dividend date, and interest income is recognized on an accrual basis. Non-cash dividends, if any, are recorded at value on date of distribution. Generally, discounts and premiums on long-term debt security purchases, if any, are amortized over the expected lives of the respective securities using the effective yield method.
- (d) Provision has not been made for federal income taxes or excise taxes since the Fund has elected to be taxed as a "regulated investment company" and intends to distribute substantially all net investment income and net realized capital gains on sales of investments to its shareholders and otherwise comply with the provisions of Subchapter M of the Internal Revenue Code applicable to regulated investment companies.

Investment income, net capital gains (losses) and all expenses incurred by the Fund are allocated based on the relative net assets of each class, except for service fees and certain other fees and expenses related to one class of shares.

Class N shares are subject to a 0.25% 12b-1 fee and a 0.10% servicing fee, as described in its prospectus. From June 5, 2009 to November 11, 2009, the 12b-1 fee was voluntarily reduced to 0.125%. From June 5, 2009 to February 4, 2010, the servicing fee was voluntarily reduced to 0.05%. Income, expenses (other than expenses attributable to a specific class), and realized and unrealized gains and losses are allocated daily to each class of shares based upon the relative net asset value of outstanding shares.

- (e) Dividends and distributions paid to shareholders are recorded on the ex-dividend date. Distributions from net investment income are generally declared and paid annually. Distributions of net realized capital gain, if any, are declared and paid at least annually.

# Notes to Financial Statements (continued)

March 31, 2010 (unaudited)

The amount of distributions from net investment income and net realized capital gain are determined in accordance with federal income tax regulations, which may differ from U.S. generally accepted accounting principles. Distributions are determined in accordance with income tax regulations, which may differ from net investment income and realized gains for financial reporting purposes. Financial reporting records are adjusted for permanent book to tax differences to reflect tax character. At March 31, 2010, no reclassifications were recorded.

The tax character of distributions paid during the six months ended March 31, 2010 and the year ended September 30, 2009 was as follows:

	<u>03/31/2010</u>	<u>09/30/2009</u>
Distributions paid from:		
Ordinary income	\$2,284,336	\$ 2,556,518
Long-term capital gain	<u>—</u>	<u>25,145,716</u>
Total distributions paid	<u>\$2,284,336</u>	<u>\$27,702,234</u>

For federal tax purposes as of March 31, 2010, investment cost was \$331,310,310 and net unrealized appreciation was as follows:

Unrealized appreciation	\$134,971,743
Unrealized depreciation	<u>(7,013,964)</u>
Net unrealized appreciation	<u>\$127,957,779</u>

The differences between book-basis and tax-basis unrealized appreciation is attributable primarily to the tax deferral of losses from wash sales.

As of fiscal year ended September 30, 2009, the Fund realized post-October losses of approximately \$4,785,000, which for tax purposes, were deferred and recognized in fiscal 2010.

As of March 31, 2010, the Fund had a tax deferral of wash loss sales of approximately \$244,000.

As of fiscal year ended September 30, 2009, the Fund had capital loss carryforwards of approximately \$1,549,000, which expire in 2017. To the extent the Fund has future net realized capital gains, distributions of capital gains to shareholders will be offset by any unused capital loss carryforward.

The Fund had no material uncertain tax positions and has not recorded a liability for unrecognized tax benefits as of March 31, 2010. Also, the Fund recognized no interest and penalties related to uncertain tax benefits in fiscal 2010. At March 31, 2010, the fiscal years 2006 through 2009 remain open to examination in the Fund's major tax jurisdictions.

- (f) The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from estimates.

# Notes to Financial Statements (continued)

March 31, 2010 (unaudited)

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## (2) Related Parties —

### (a) Investment Adviser and Management Agreement —

The Fund has an agreement with Nicholas Company, Inc. (with whom certain officers and directors of the Fund are affiliated) (the “Adviser”) to serve as investment adviser and manager. Under the terms of the agreement, a monthly fee is paid to the Adviser based on an annualized fee of .75% of the average net asset value up to and including \$50 million, .60% of the average net asset value over \$50 million up to and including \$100 million and .50% of the average net asset value in excess of \$100 million. Also, the Adviser may be paid for accounting and administrative services rendered by its personnel, subject to the following guidelines: (i) up to five basis points, on an annual basis, of the average net asset value of the Fund up to and including \$2 billion and up to three basis points, on an annual basis, of the average net asset value of the Fund greater than \$2 billion, based on the average net asset value of the Fund as determined by valuations made at the close of each business day of each month, and (ii) where the preceding calculation results in an annual payment of less than \$50,000, the Adviser, in its discretion, may charge the Fund up to \$50,000 for such services.

### (b) Legal Counsel —

A director of the Adviser is affiliated with a law firm that provides services to the Fund. The Fund incurred expenses of \$2,981 for the period ended March 31, 2010 for legal services rendered by this law firm.

## (3) Investment Transactions —

For the period ended March 31, 2010, the cost of purchases and the proceeds from sales of investment securities, other than short-term obligations, aggregated \$69,197,960 and \$64,449,671, respectively.

# Historical Record

(unaudited)

	Net Asset Value Per Share	Net Investment Income Distributions Per Share	Capital Gain Distributions Per Share	Dollar Weighted Price/Earnings Ratio <sup>(2)</sup>	Growth of an Initial \$10,000 Investment <sup>(3)</sup>
<b>Class I</b>					
October 17, 1983 <sup>(1)</sup> . . . . .	\$10.00	\$ —	\$ —	—	\$ 10,000
September 30, 1984 . . . . .	11.66	—	—	12.6 times	11,660
September 30, 1985 . . . . .	14.39	0.0930	0.1860	11.7	14,742
September 30, 1986 . . . . .	16.90	0.1630	0.0610	15.0	17,581
September 30, 1987 . . . . .	21.01	0.4200	0.5130	20.9	23,108
September 30, 1988 . . . . .	18.58	0.3380	1.3030	15.0	22,766
September 30, 1989 . . . . .	21.76	0.3350	0.0800	17.1	27,291
September 30, 1990 . . . . .	17.39	0.3124	0.6686	14.8	22,888
September 30, 1991 . . . . .	23.87	0.3422	0.1434	17.8	32,250
September 30, 1992 . . . . .	24.53	0.2447	0.4042	17.3	34,052
September 30, 1993 . . . . .	26.94	0.2350	0.8000	18.1	38,885
September 30, 1994 . . . . .	26.71	0.2000	1.4700	18.5	41,020
September 30, 1995 . . . . .	30.07	0.2056	1.8944	20.8	50,205
September 30, 1996 . . . . .	33.34	0.1750	2.4979	28.9	60,922
September 30, 1997 . . . . .	40.65	0.0779	3.1621	31.4	82,206
September 30, 1998 . . . . .	34.78	0.0810	5.2282	28.6	80,845
September 30, 1999 . . . . .	31.83	0.1337	4.0049	29.0	82,864
September 30, 2000 . . . . .	36.58	0.0100	0.4701	35.1	96,527
September 30, 2001 . . . . .	17.54	—	13.1200	23.4	76,361
September 30, 2002 . . . . .	15.34	—	0.5766	22.2	68,730
September 30, 2003 . . . . .	18.97	—	—	22.9	84,994
September 30, 2004 . . . . .	21.88	—	0.0015	22.9	98,040
September 30, 2005 . . . . .	23.50	—	0.9146	23.3	109,547
September 30, 2006 . . . . .	23.11	0.0083	2.1472	22.4	118,142
September 30, 2007 . . . . .	25.18	0.0643	1.0460	23.4	134,908
September 30, 2008 . . . . .	19.15	0.0978	2.5678	17.5	115,141
September 30, 2009 . . . . .	17.02	0.1072	1.1206	19.2	111,845
March 31, 2010 . . . . .	18.87	0.0957 (a)	—	21.7	124,668
<b>Class N</b>					
February 28, 2005 <sup>(1)</sup> . . . . .	\$22.59	\$ —	\$ —	23.1 times	\$10,000
September 30, 2005 . . . . .	23.45	—	—	23.3	10,381
September 30, 2006 . . . . .	23.00	—	2.1340	22.4	11,158
September 30, 2007 . . . . .	25.03	—	1.0460	23.4	12,694
September 30, 2008 . . . . .	19.04	0.0067	2.5678	17.5	10,800
September 30, 2009 . . . . .	16.87	0.0969	1.1206	19.2	10,457
March 31, 2010 . . . . .	18.71	0.0666 (a)	—	21.7	11,641

(1) Date of Initial Public Offering.

(2) Based on latest 12 months accomplished earnings.

(3) Assuming reinvestment of all distributions.

(a) Paid on December 29, 2009 to shareholders of record on December 28, 2009.

# Approval of Investment Advisory Contract

(unaudited)

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In October 2009, the Board of Directors of the Fund renewed the one-year term of the Investment Advisory Agreement by and between the Fund and the Adviser through October 2010. In connection with the renewal of the Investment Advisory Agreement, no changes to the amount or manner of calculation of the management fee or the terms of the agreement were proposed by the Adviser or adopted by the Board. For the annual period ended September 30, 2009, the management fee was 0.55% and the Fund's Class I and Class N total expense ratios (including the management fee) were 0.72% and 0.98%, respectively. In renewing the Investment Advisory Agreement, the Board carefully considered the following factors on an absolute basis and relative to the Fund's peer group: (i) the Fund's historical performance; (ii) the Fund's performance relative to its benchmark; (iii) the expense ratios for peer group funds in the small-cap growth category and the Fund's risk/return profile as measured by the standard deviation and the Sharpe Ratio; and (iv) the range and quality of the services offered by the Adviser. The peer group fund data included mid-cap growth focused funds with similar asset sizes, number of holdings and market capitalizations. In terms of the peer group data used for performance comparisons, the Fund's Class I was ranked 8th, 7th, 13th and 9th out of 15 funds for the one-, three-, five- and ten-year periods ending September 30, 2009. The Fund's Class I had the second lowest expense ratio among its peer group.

The Board considered the range of services to be provided by the Adviser to the Fund under the Advisory Agreement. The Board concluded that the nature, extent and quality of the services to be provided were consistent with the terms of the Advisory Agreement and the needs of the Fund, and that the services provided were of a high quality.

The Board considered the investment performance of the Fund and the Adviser. Among other things, the Board noted its consideration of the Fund's performance relative to peer funds and its benchmarks. The Board reviewed the actual and relative short-term and long-term performance of the Fund. The Board agreed that the Fund demonstrated satisfactory performance with respect to its benchmarks and peers. The Board also discussed the extent to which economies of scale would be realized, and whether such economies were reflected in the Fund's fee levels and concluded that the Adviser had been instrumental in holding down Fund costs, citing consistently low fees in an environment where fund fees have been on an upward trend.

The Board considered the cost of services provided and the profits to be realized by the Adviser from the relationship with the Fund. The Board concluded that given the Board's focus on performance and maintaining a low fee structure that the Adviser's profits were not relevant.

The Board determined that the Adviser had fully and adequately carried out the terms and conditions of its contract with the Fund. The Board expressed satisfaction with the Fund's performance, management's control of expenses and the rate of the management fee for the Fund and the overall level of services provided by the Adviser.

# Information on Proxy Voting

(unaudited)

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A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available, without charge, upon request by calling 800-544-6547 (toll-free) or 414-276-0535. It also appears in the Fund's Statement of Additional Information, which can be found on the SEC's website, [www.sec.gov](http://www.sec.gov). A record of how the Fund voted its proxies for the most recent twelve-month period ended June 30, also is available on the Fund's website, [www.nicholasfunds.com](http://www.nicholasfunds.com), and the SEC's website, [www.sec.gov](http://www.sec.gov).

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## Quarterly Portfolio Schedule

(unaudited)

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The Fund files its complete schedule of investments with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund's Form N-Q's are available on the SEC's website at [www.sec.gov](http://www.sec.gov) and may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling 800-SEC-0330.

# Privacy Policy

(unaudited)

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Nicholas II, Inc. respects each shareholder's right to privacy. We are committed to safeguarding the information that you provide us to maintain and execute transactions on your behalf.

We collect the following non-public personal information about you:

- Information we receive from you on applications or other forms, whether we receive the form in writing or electronically. This includes, but is not limited to, your name, address, phone number, tax identification number, date of birth, beneficiary information and investment selection.
- Information about your transactions with us and account history with us. This includes, but is not limited to, your account number, balances and cost basis information. This also includes transaction requests made through our transfer agent.
- Other general information that we may obtain about you such as demographic information.

**WE DO NOT SELL ANY NON-PUBLIC PERSONAL INFORMATION  
ABOUT CURRENT OR FORMER SHAREHOLDERS.**

**INFORMATION SHARED WITH OUR TRANSFER AGENT,  
A THIRD PARTY COMPANY, ALSO IS NOT SOLD.**

We may share, only as permitted by law, non-public personal information about you with third party companies. Listed below are some examples of third parties to whom we may disclose non-public personal information. While these examples do not cover every circumstance permitted by law, we hope they help you understand how your information may be shared.

We may share non-public personal information about you:

- With companies who work for us to service your accounts or to process transactions that you may request. This would include, but is not limited to, our transfer agent to process your transactions, mailing houses to send you required reports and correspondence regarding the Fund and its Adviser, the Nicholas Company, Inc., and our dividend disbursing agent to process fund dividend checks.
- With a party representing you, with your consent, such as your broker or lawyer.
- When required by law, such as in response to a subpoena or other legal process.

The Fund and its Adviser maintain policies and procedures to safeguard your non-public personal information. Access is restricted to employees who the Adviser determines need the information in order to perform their job duties. To guard your non-public personal information we maintain physical, electronic, and procedural safeguards that comply with federal standards.

In the event that you hold shares of the Fund with a financial intermediary, including, but not limited to, a broker-dealer, bank, or trust company, the privacy policy of your financial intermediary would govern how your non-public personal information would be shared with non-affiliated third parties.

# Automatic Investment Plan – An Update

(unaudited)

The Nicholas Family of Funds' Automatic Investment Plan provides a simple method to dollar cost average into the fund(s) of your choice.

Dollar cost averaging involves making equal systematic investments over an extended time period. A fixed dollar investment will purchase more shares when the market is low and fewer shares when the market is high. The automatic investment plan is an excellent way for you to become a disciplined investor.

The following table illustrates what dollar cost averaging can achieve. Please note that past performance is no guarantee of future results. Nicholas Company recommends dollar cost averaging as a practical investment method. It should be consistently applied for long periods so that investments are made through several market cycles.

	<b>Nicholas II – Class I</b>	
\$1,000 initial investment on .....	10/17/83*	03/31/00
Number of years investing \$100 each month following the date of initial investment .....	26.5	10
Total cash invested .....	\$32,800	\$13,000
Total dividend and capital gain distributions reinvested .....	\$102,747	\$4,922
Total full shares owned at 03/31/10 .....	6,243	871
Total market value at 03/31/10 .....	\$117,812	\$16,442

The results above assume purchase on the last day of the month. The Nicholas Automatic Investment Plan actually invests on the 20th of each month (or on the alternate date specified by the investor). Total market value includes reinvestment of all distributions.

\* Date of Initial Public Offering.

# Nicholas Funds Services Offered

(unaudited)

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- IRAs
  - Traditional
  - Roth
  - SIMPLE
  - SEP
- Coverdell Education Accounts
- Profit Sharing Plan
- Automatic Investment Plan
- Direct Deposit of Dividend and Capital Gain Distributions
- Systematic Withdrawal Plan with Direct Deposit
- Monthly Automatic Exchange between Funds
- Telephone Redemption
- Telephone Exchange
- 24-hour Automated Account Information (800-544-6547)
- 24-hour Internet Account Access ([www.nicholasfunds.com](http://www.nicholasfunds.com))

Please call a shareholder representative for further information on the above services or with any other questions you may have regarding the Nicholas Funds (800-544-6547).

***Directors and Officers***

DAVID O. NICHOLAS, President and Director  
ROBERT H. BOCK, Director  
TIMOTHY P. REILAND, Director  
JAY H. ROBERTSON, Director  
ALBERT O. NICHOLAS, Executive Vice President  
DAVID L. JOHNSON, Executive Vice President  
JEFFREY T. MAY, Senior Vice President, Secretary,  
Treasurer and Chief Compliance Officer  
LYNN S. NICHOLAS, Senior Vice President  
LAWRENCE J. PAVELEC, Senior Vice President  
CANDACE L. LESAK, Vice President

***Investment Adviser***

NICHOLAS COMPANY, INC.  
Milwaukee, Wisconsin  
www.nicholasfunds.com  
414-276-0535 or 800-544-6547

***Transfer Agent***

U.S. BANCORP FUND SERVICES, LLC  
Milwaukee, Wisconsin  
414-276-0535 or 800-544-6547

***Distributor***

QUASAR DISTRIBUTORS, LLC  
Milwaukee, Wisconsin

***Custodian***

U.S. BANK N.A.  
Milwaukee, Wisconsin

***Independent Registered Public Accounting Firm***

DELOITTE & TOUCHE LLP  
Milwaukee, Wisconsin

***Counsel***

MICHAEL BEST & FRIEDRICH LLP  
Milwaukee, Wisconsin

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This report is submitted for the information of shareholders of the Fund. It is not authorized for distribution to prospective investors unless preceded or accompanied by an effective prospectus.