The year-end edition.

What a year to launch a fund. In chronological order, there was a smooth start, a big down, followed by a series of small ups.

The most astonishing part of this wild ride was the unwavering support of our early investors.

On behalf of the entire Algonquin team, a genuine thank you for the opportunity to manage through the crisis and subsequent recovery.

The fourth quarter.

The news of multiple, highly effective vaccines overshadowed concerns over rising COVID-19 cases and the US electoral process. The inoculating light at the end of the tunnel led to a rally in risk assets, and unsurprisingly, a slight rise in rates.

Over the quarter,

- Canadian investment-grade spreads tightened 27 basis point (bps) and ended the year at 111 bps, 7bps higher, year-over-year
- Canadian 10yr interest rate increased 12 bps in Q4, finishing 2020 at 0.68%, a decline of 1.02% this year

The fund.

The Fund outperformed the broad market rally due to positions in issuers and sectors that were laggards in previous quarters and benefitted from the vaccine developments.

In retrospect, we wish we had more exposure to businesses directly affected by the pandemic. But hindsight is 2020 (bad pun intended) and speculating on the timing of a vaccine felt imprudent. Furthermore, many of these hard-hit companies may continue to struggle as consumption patterns could be slow to recover or significantly altered. Accordingly, we cautiously and selectively add exposure in this space with a focus on higher-quality issuers.

- F Class Returns Q4: 4.2%; 2020: 10.5%

Looking ahead.

With politicians and central bankers still leaning heavily towards stimulus and multiple vaccines receiving approval for distribution, we expect a strong but uneven recovery ahead.

The three main themes we are focused on:

- **Security Selection.** While generic credit indices have almost recovered to pre-pandemic levels, there remains wide dispersion between issuers and sectors. We are focusing on securities that offer attractive value and the potential for significant performance as economic activity improves.

- **Duration Management.** In our opinion, the path of least resistance for longer-term interest rates is higher. Central banks will eventually scale back their government bond purchasing programs and inflation should start inching back towards 2%. In this environment, 10-year yields under 1% make little sense. Consequently, we have been reducing our duration and anticipate further reductions in the months to come.
- **The Credit Curve.** Given widespread concerns of long-term yields rising, investors are reluctant to purchase corporate bonds with maturities greater than 7y. As a result, credit spreads in the long end remain much wider than pre-pandemic levels. Given the fund can hedge the interest rate risk and isolate the credit spread, we look to take advantage of this opportunity.

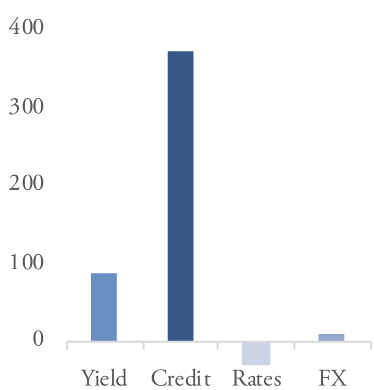
Fund performance. *All data as at December 31, 2020*

Returns *(F Class)*

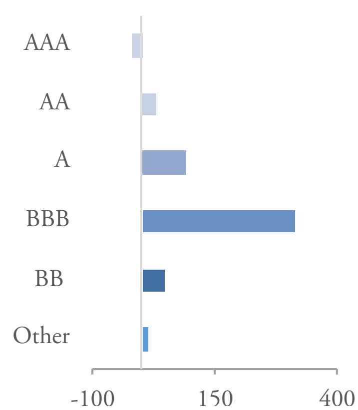
1 month	3 month	6 month	YTD	1 year	2020
1.4%	4.2%	9.0%	10.5%	10.5%	10.5%

Q4 Return Attribution *(basis points)*

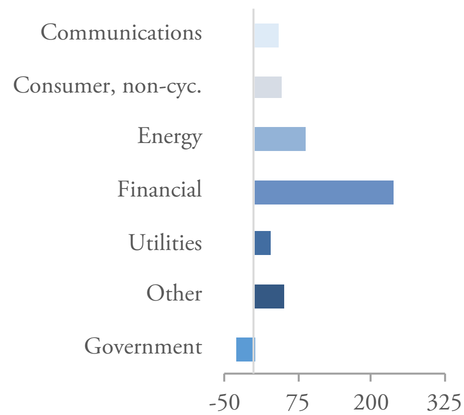
by Factor



by Rating

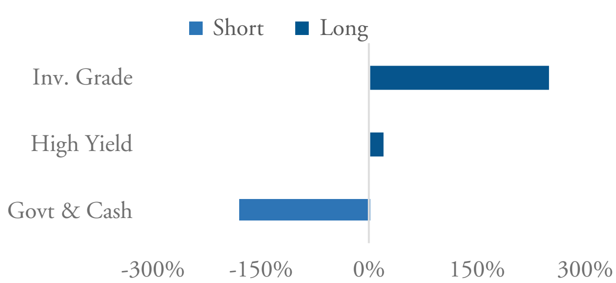


by Industry



Portfolio summary. *All data as at December 31, 2020*

Portfolio Breakdown *(net exposures)*



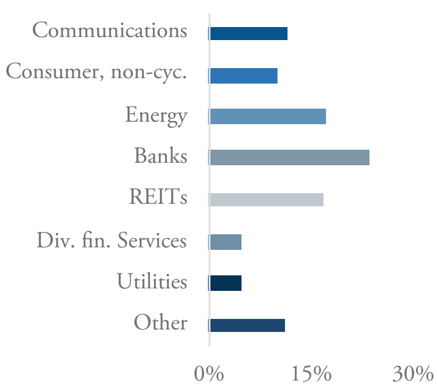
Key Metrics

Portfolio Yield	Interest Rate Duration	Average Term	CR01	Leverage
3.2%	4.0yrs	3.9yrs	8.2bps	1.9x

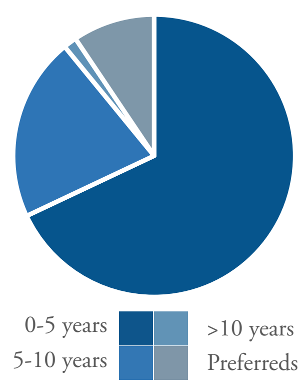
Portfolio Yield is the weighted average aggregate yield net of borrow cost; IR Duration is an estimate of portfolio sensitivity to 1% change in interest rates; Average Term is weighted average term to maturity of long positions; CR01 is an estimate of portfolio sensitivity for a one basis point change in credit spreads across all credit positions; Leverage based on short positions and borrowed cash as per National Instrument 81-102.

Long Exposures

by Industry



by Term



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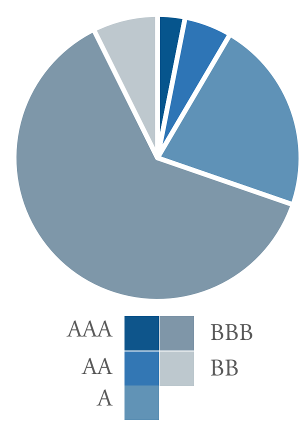

Top 10 Holdings

EMPACN 4.7 *08/08/23*	**SE** 3.12 *12/05/22*
TD 6.631 *06/30/08*	**ELFCBN** 3.383 *12/16/26*
CCACN 4.925 *02/14/22*	**EXPE** 7 *05/01/25*
CCACN 4.175 *05/26/23*	**IPLCN** 2.608 *09/13/23*
SUCN 3.1 *11/26/21*	**CTXS** 4 1/2 *12/01/27*