

Rates.

After the excitement of the first quarter, interest rates settled into a 20-25 bps range as markets await clarity on jobs, inflation, and tapering of QE.

- Canadian 5y interest rates finished the quarter 2 bps lower at 0.97%. The 10y yield dropped 14 bps from 1.53% to 1.39%, as curves flattened.
- The US saw similar moves with the 5y down 5 bps to 0.87% and the 10y lower by 29 bps to finish Q2 at 1.45%.

Through the quarter we reduced the Fund's interest rate duration down to 1y.

Credit.

Canadian credit traded in a narrow range despite a record-breaking amount of new supply in June. Demand for high-quality credit remained robust, with issuers levered to the re-openings outperforming. The US continues to lead the recovery charge with credit spreads performing strongly through the quarter.

- Canadian investment-grade spreads tightened 3 bps to finish at 107 bps
- US investment-grade credit tightened 11 bps to finish at 80 bps

The Fund.

Despite minimal volatility and modest performance in domestic credit, the Fund had a strong quarter. In particular, exposures to energy infrastructure, REITs, and called preferred shares bolstered performance.

- F Class Returns: Q2 2021: 2.14% | YTD: 1.59% | 2020: 10.53%

In the months ahead, we expect interest rates to be very sensitive to economic data (i.e. jobs, inflation) and any hints from the central banks about scaling back monetary stimulus.

- With the potential for strong job growth and the Fed announcing tapering QE in September, we continue to run minimal duration risk.

While generic credit spreads have recovered back to pre-pandemic levels, the indices hide the dispersion and opportunities for performance.

- The 27 bps gap between Canadian and US credit represents significant relative value in the domestic market. Accordingly, we have reduced our exposure to US issuers, replacing them with domestic names.
- Despite oil trading above \$70, energy spreads have been lagging behind the broader recovery in credit. Yes, electric cars are coming, but bonds have fixed maturity dates and we can lock in attractive spreads today in securities that mature well before everyone is driving a Tesla.
- The telecommunications sector has been under pressure due to M&A activity and spectrum auctions. This pressure has led to attractive valuations relative to other BBB issuers.
- REITs continue to offer reasonable value, in particular senior living, industrials, and select retailers.

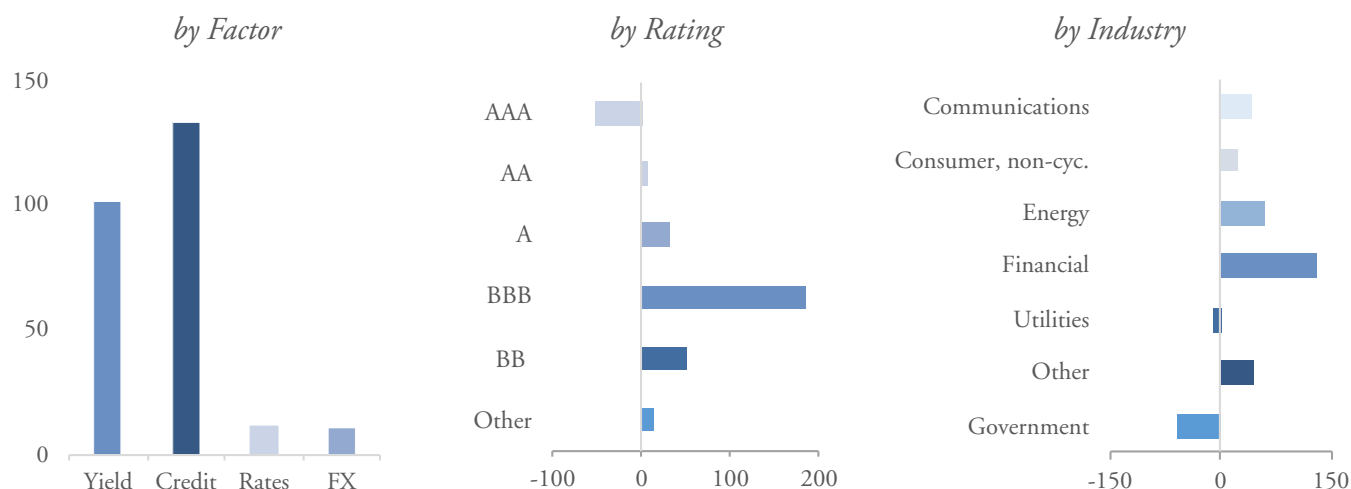
On the pandemic front, we are keeping a close eye on the variants, as a resurgence of the pandemic remains the greatest risk to our base case of a strong economic recovery over the balance of the year.

Fund performance. *All data as at June 30, 2021*

Returns (F Class)

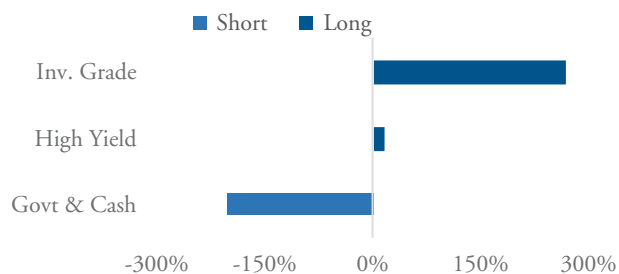
1 month	3 month	6 month	YTD	1 year	2020
0.41%	2.14%	1.59%	1.59%	10.78%	10.53%

Return attribution (*basis points*)



Portfolio summary. *All data as at June 30, 2021*

Portfolio Breakdown (*net exposures*)

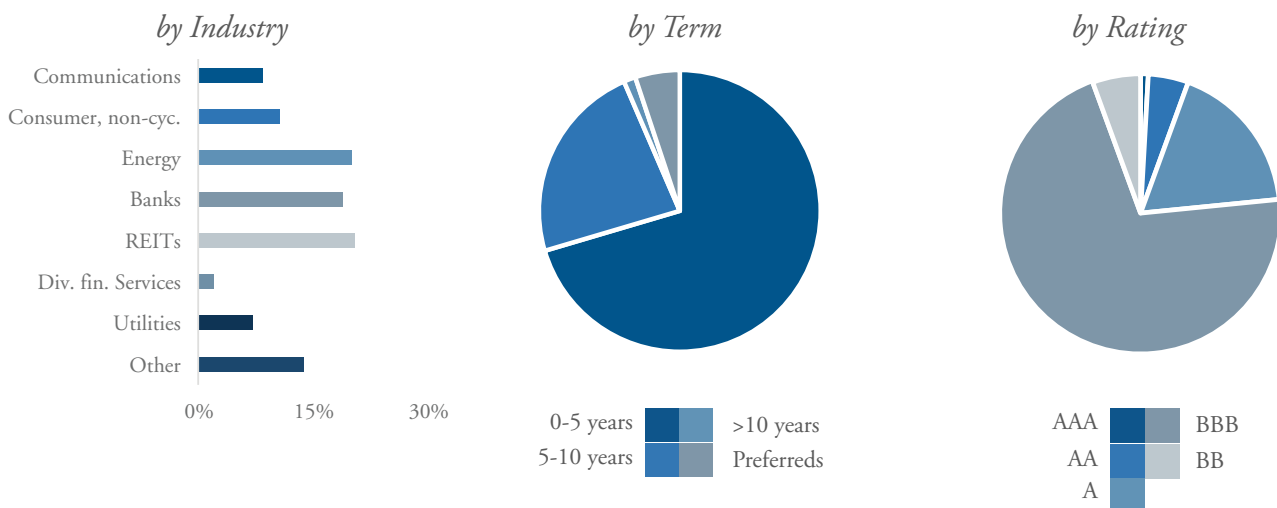


Key Metrics

Portfolio Yield	Interest Rate Duration	Average Term	CR01	Leverage
3.2%	1.2yrs	3.9yrs	8.8bps	2.0x

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



Top 10 Holdings

EMPACN 4.7 08/08/23

ENB CCP 0 07/05/21

TACN 4 1/2 11/15/22

CRRUCN 4.066 11/21/22

NWRWPT 3.2 07/22/24

GEICN 2.45 07/14/25

TRPCN 3.8 04/05/27

RLNCE 3.836 03/15/25

EQBCN 1.876 11/26/25

VTR 2.55 03/15/22

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