The 2.0 Quarterly *2nd Quarter, 2022*

The sell-off in bonds this year has been difficult for our strategy. Although the fund has outperformed most traditional fixed income products, the mark-to-market losses are greater than we would have hoped for.

With that in mind, we wanted to take this opportunity to provide a summary of what has happened, how it has impacted the fund, and how we are positioned going into the second half of the year.

The first half.

To use a rather technical term, fixed income markets have been downright 'poopy'. The combination of a sharp rise in interest rates and the sell-off in credit has made for an ugly 6-month stretch..

- Canada Universe Bond Index ETF (XBB) YTD: -12.40%
- Canada All Corporate Bond Index ETF (XCB) YTD: -11.49%

With central banks hell-bent on taming inflation, the bond markets moved to price overnight rates getting to around 3.5% by year-end. This led to interest rates moving 1.5 - 2.3% higher so far this year, with yield curves flattening.

- Canadian 2y rates finished Q2 at 3.19% (+2.24% YTD) and the 10y at 3.22% (+1.80% YTD)
- US 2y Treasury yields finished at 3.03% (+2.30% YTD) and the 10y at 3.01% (+1.49% YTD)

Credit has been the victim of the two 'Rs', rates and recession. Fears over rising rates saw investors flee the bond markets, leading to a liquidity, technically driven sell-off in corporate debt. The spread widening was exacerbated as valuations began to account for a high probability of a recession on the horizon.

- Canadian investment-grade spreads have widened 53 bps this year to finish Q2 at 164 bps
- US investment-grade spreads have widened 61 bps this year and ended the quarter at 153 bps

The fund.

For a strategy designed to enhance yield and returns through investment-grade credit, the widening in domestic spreads has been a tough environment. While credit has been the largest driver of the drawdown, interest rates are a close second. Despite maintaining duration at the low-end of our 2-6y range for most of the year, the magnitude of the move in yields meant there was nowhere to hide.

- F Class Returns: YTD: -8.77% | 2021: 2.42% | 2020: 10.53%

Looking Ahead.

The fund enters the second half of the year with a yield of 7.5%, a duration of 4y, and a medium level of outright credit exposure.

With markets pricing in overnight rates of 3.5% and the Canadian 10y trading above 3%, we have extended the IR duration to 4y (the fund's neutral level). The base case scenario priced into the yield curve seems reasonable and from this posture we can easily pivot based on the inflation and economic data.

On the credit side, we have been balancing attractive valuations with recession risks by selectively adding exposures into the weakness. Our focus has been on banks, telcos, and quality energy names, as we have been improving the quality of the portfolio into issuers with the resilience to manage through a recession.

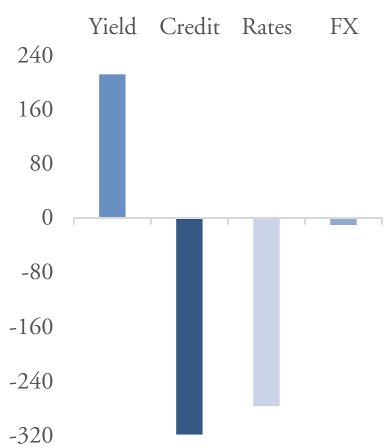
Fund performance. *All data as at June 30, 2022*

Returns *(F Class)*

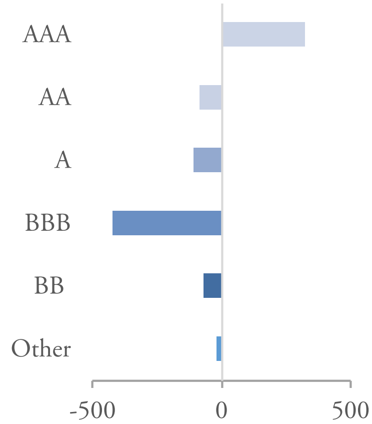
1 month	3 month	6 month	YTD	1 year	2020	2021
-1.38%	-4.26%	-8.77%	-8.77%	-8.03%	10.53%	2.42%

Return attribution *(basis points)*

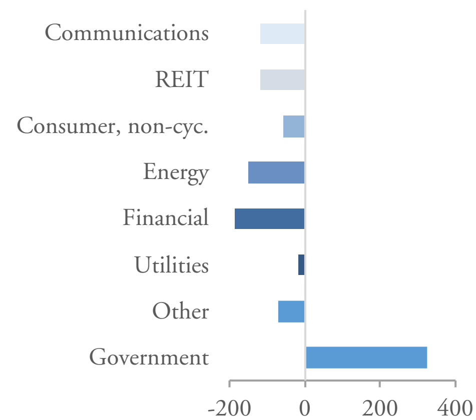
by Factor



by Rating

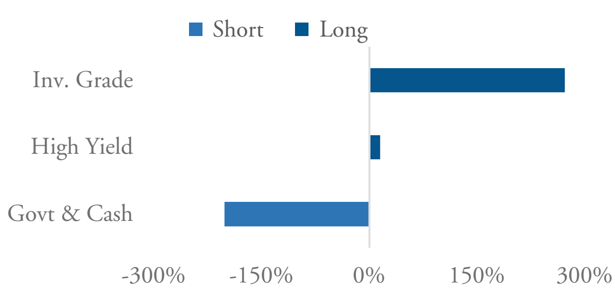


by Industry



Portfolio summary. *All data as at June 30, 2022*

Portfolio Breakdown *(net exposures)*

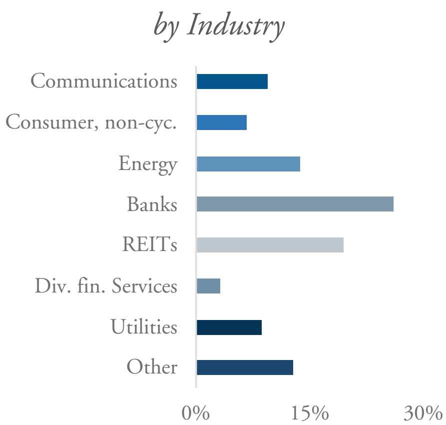


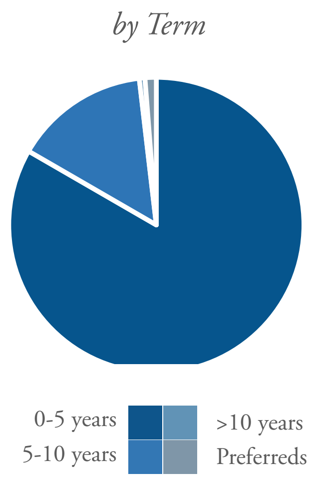
Key Metrics

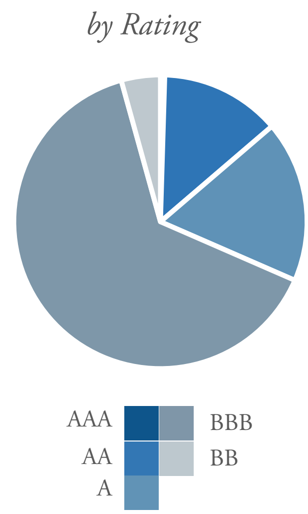
Portfolio Yield	Interest Rate Duration	Average Term	CR01	Leverage
7.5%	4.1yrs	3.4yrs	8.6bps	2.1x

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

TACN 4 1/2 *11/15/22*	**GS** *float 04/29/25*
CRRUCN 4.066 *11/21/22*	**NACN** 2.58 *02/03/25*
CIXCN 3.215 *07/22/24*	**ALACN** 2.609 *12/16/22*
CSHU 4.211 *04/28/25*	**NWRWPT** 3.2 *07/22/24*
TCLACN 2.28 *07/13/26*	**FFHCN** 4.7 *12/16/26*