

The year-end edition.

2022 will go down as one of the worst years for fixed income, with generic bond indices experiencing losses of -10% to -13%.

- Canadian Bond Universe ETF (XBB): -11.67%
- Core US Aggregate Bond ETF (AGG): -13.03%

While the Fund was not immune to the sell-off in bonds, the active duration management combined with the enhanced yield enabled us to significantly outperform traditional fixed-income products.

- F Class Returns: Q4: 2.39%; 2022: -6.15%, 2021: 2.42%; 2020: 10.53%

The fourth Quarter.

With the end of interest rates hikes in sight, the focus shifted to when the easing cycle would begin. This saw the Canadian 10y trade in a 90 bps range as expectations on when the first cut would be delivered shifted to and fro. We capitalized on the volatility and effectively managed our duration to finish flat from rate exposures, despite yields moving higher over the quarter.

Over the quarter:

- Canadian 2y finished at 4.05% (+26 bps) and the 10y at 3.30% (+13 bps)
- US 2y finished at 4.43% (+15 bps) and the 10y at 3.88% (+4 bps)

Attractive yields enticed investors back into corporate bonds, which led to a credit spreads tightening into the year-end. On a relative value basis, Canadian investment grade looks cheap when compared to both its US counterpart and high yield.

Over the quarter:

- Canadian spreads tightened 10 bps in Q4 to finish 2022 at 162 bps
- US spreads tightened 29 bps in Q4 to end the year at 130 bps

Looking ahead.

Higher interest rates and credit spreads mean we enter the new year with a yield of ~8% on a portfolio with an average credit rating of A- and maturity of ~3y. We continue to remain focused on the higher-quality end of the investment grade spectrum, as these issuers offer the trifecta of value, liquidity, and security.

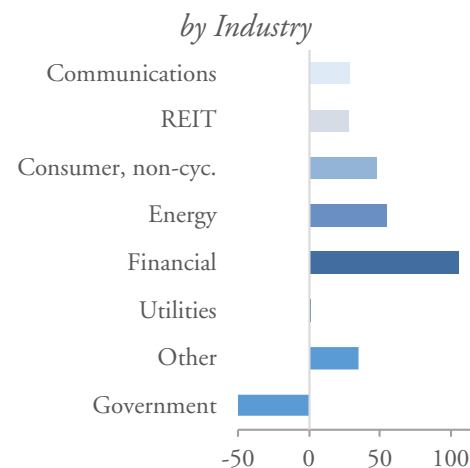
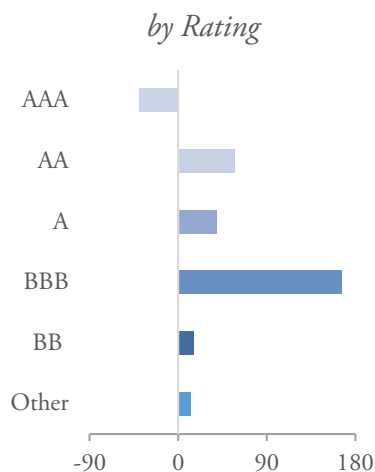
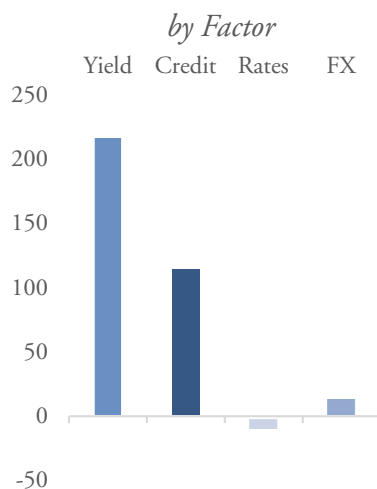
Until an inflation trend is established, we anticipate rates to remain volatile as the market reacts to each bit of incoming economic data. While we will continue to 'trade the range', our bias is to add duration exposure on rate sell-offs.

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

Returns (F Class)

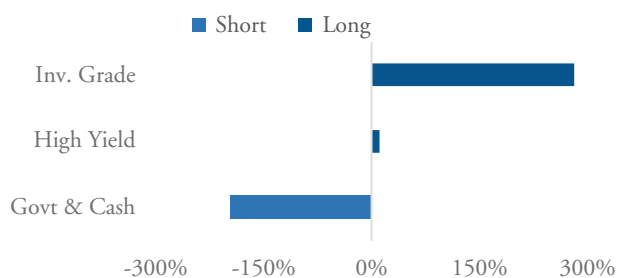
1 month	3 month	6 month	YTD	1 year	2020	2021
-0.01%	2.39%	2.87%	-6.15%	-6.15%	10.53%	2.42%

Return attribution (*basis points*)



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

Portfolio Breakdown (*net exposures*)

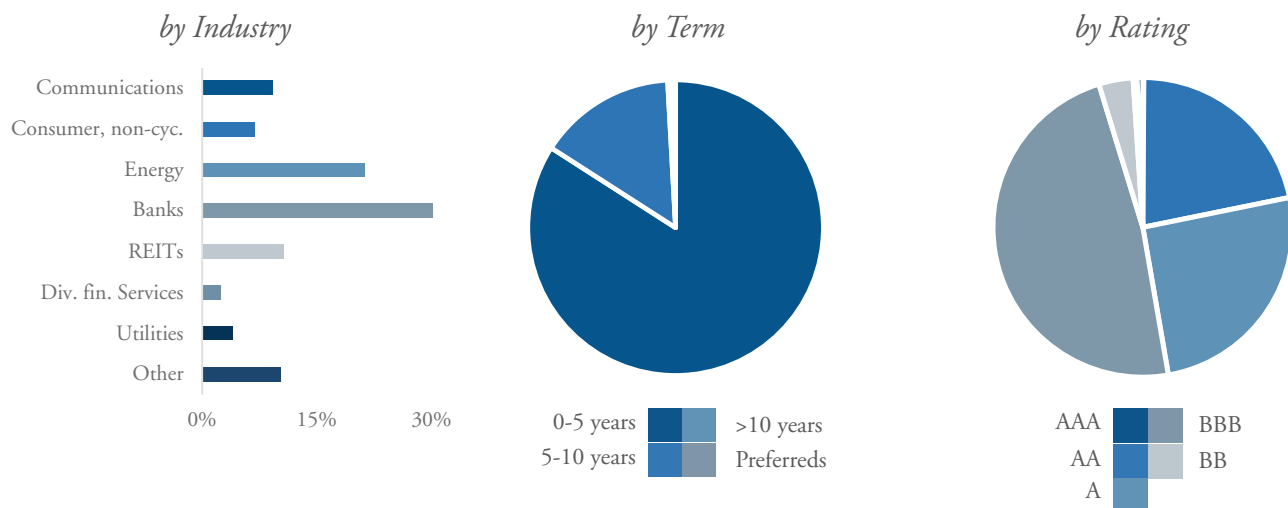


Key Metrics

Portfolio Yield	Interest Rate Duration	Average Term	CR01	Leverage
7.9%	3.4yrs	3.3yrs	8.3bps	2.3x

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

ENB CCP 0 01/09/23

TRPCN 3.3 07/17/25

CIXCN 3.215 07/22/24

BNS 1.295 01/10/25

GS float 04/29/25

GEICN 2.45 07/14/25

RY 1.936 05/01/25

HYDONE 4.91 01/27/28

CCDJ 5.2 10/01/25

CM 4.95 06/29/27

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