The 2.0 Quarterly *1st Quarter, 2024*

Interest rates.

After the fierce rate rally in Q4 last year, 2024 began with bond markets on both sides of the border pricing in 5-6 cuts this year. But with inflation and employment data coming in stronger than expected, these expectations were pared back to a more reasonable 3 cuts, causing government yields to rise through Q1.

Relative to the volatility we have gotten accustomed to, the quarter was more sanguine. With further rate hikes off the table, the market is now jockeying between the timing and pace of the cutting cycle.

Over the quarter:

- Canadian 2y finished at 4.18% (+29 bps) and the 10y at 3.47% (+36 bps)
- US 2y finished at 4.62% (+37 bps) and the 10y at 4.20% (+32 bps)

Credit.

The first quarter saw an almost record-breaking amount of corporate issuance. Usually, this level of new supply would pressure credit markets. But in this instance, it was met with an even greater amount of demand. The new deals not only performed, but also took secondary bonds along for the ride, leading to a narrowing of credit spreads.

Over the quarter:

- Canadian investment-grade spreads tightened 12 bps to 120 bps
- US investment-grade spreads tightened 9 bps to 90 bps
- High yield spreads tightened 27 bps to 320 bps

The fund.

The rise in interest rates was a headwind for fixed-income products, with most indices flat to down -1%. Despite the less than favourable conditions, the Fund posted a +1.5% return thanks to active duration management, performance in our credit positions, and the yield earned over the quarter.

F Class Returns: Q1: 1.50%; 2023: 9.75% 2022: -6.15%, 2021: 2.42%; 2020: 10.53%

Looking ahead.

In terms of credit, we continue to favour Canadian investment-grade issuers, which are trading at a significant discount to their American peers. We are also maintaining minimal exposure to the high-yield market, where spreads are at their historical tights.

When it comes to rates, our bias is towards the cutting cycle being on the slower side and for central banks to maintain higher overnight rates (i.e., 3% or above). As such, we don't see much value in longer-term yields (i.e., 10y+), and prefer exposures in the shorter end of the curve (i.e., 2-5y).

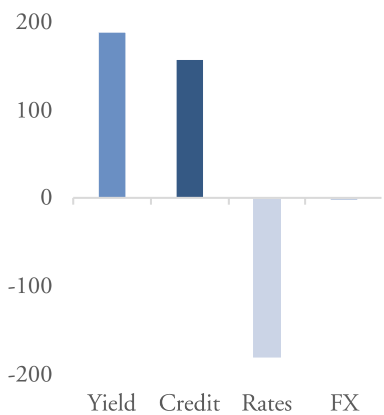
Fund performance. *All data as at March 28, 2023*

Returns *(F Class)*

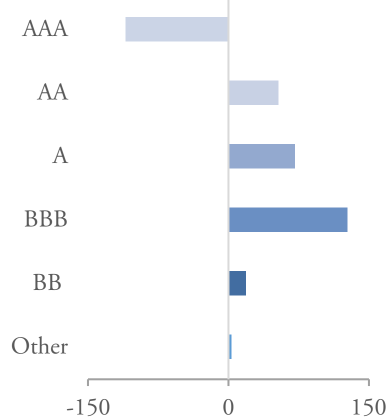
1 month	3 month	6 month	YTD	1 year	2020	2021	2022	2023
0.91%	1.50%	8.93%	1.50%	8.40%	10.53%	2.42%	-6.15%	9.75%

Return attribution *(basis points)*

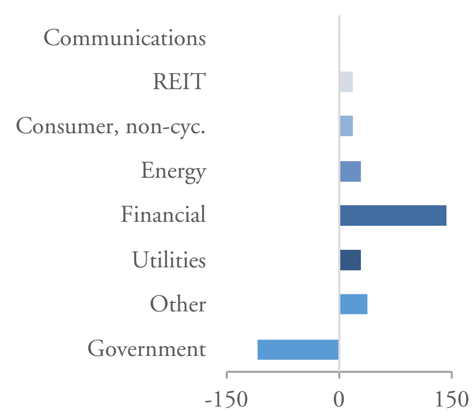
by Factor



by Rating

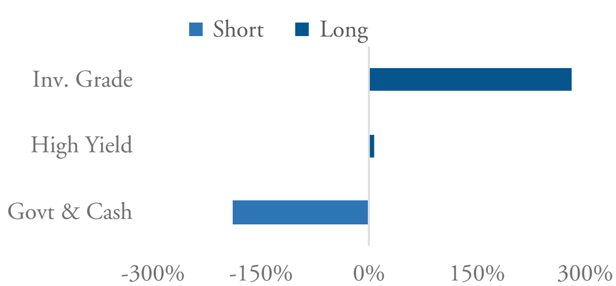


by Industry



Portfolio summary. *All data as at March 28, 2023*

Portfolio Breakdown *(net exposures)*



Key Metrics

Portfolio Yield	Interest Rate Duration	Average Term	CR01	Leverage
6.3%	4.2 yrs	3.0 yrs	7.5 bps	2.5x

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.

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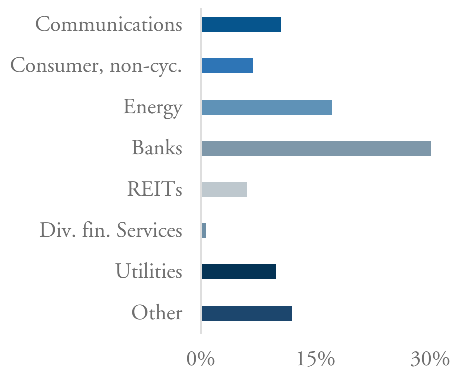
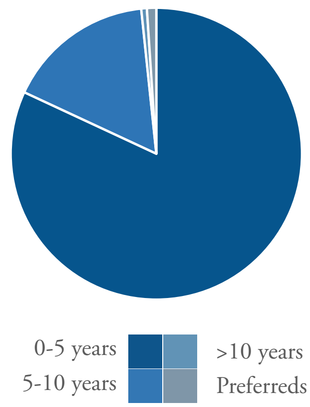
Long Exposures

by Industry



by Term



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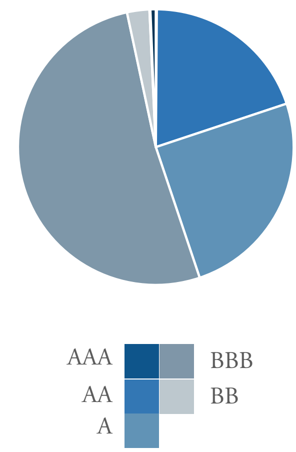

Top 10 Holdings

ENB CCP 0 *04/01/24*	**WFC** 2.568 *05/01/26*
HSBC 1.782 *05/20/26*	**GS** 2.599 *11/30/27*
ENMAXC CCP 0 *04/02/24*	**BRUPOW** 4.7 *12/21/27*
RLNCE 3.836 *03/15/25*	**CM** 2.25 *01/07/27*
ENB CCP 0 *04/19/24*	**SAPCN** 5.492 *11/20/30*