The 2.0 Quarterly *3rd Quarter, 2025*

ALGONQUIN CAPITAL

Interest rates.

	Jun 30, 2025	Sep 29, 2025	Q3 moves	YTD moves
CAD Overnight	2.75%	2.50%	-0.25%	-0.75%
CAD 2Y	2.59%	2.47%	-0.12%	-0.46%
CAD 10Y	3.27%	3.18%	-0.09%	-0.04%
CAD 30Y	3.56%	3.63%	0.07%	0.30%
US Fed Funds	4.33%	4.09%	-0.24%	-0.24%
US 2Y	3.72%	3.62%	-0.10%	-0.62%
US 10Y	4.23%	4.14%	-0.09%	-0.43%
US 30Y	4.78%	4.71%	-0.07%	-0.08%

- In July, the Fed kept its policy rate steady, citing that inflation was a greater concern than employment. But with the labour market showing signs of weakness in August, the FOMC pivoted its stance and delivered a 'risk management' cut in September.
- For the first time since March, the BoC cut the overnight rate in September. The decision was based on the balance of risk shifting from inflation to the labour market and economy.
- Bond markets followed the central banks' pivots, with rates moving ~20 bps higher in July only to reverse course and finish the quarter lower.
- Both the Fed and BoC have two meetings left this year. At quarter-end, the market priced in one more cut from the BoC and two more from the Fed.

Credit.

	Jun 30, 2025	Sep 29, 2025	Q3 moves	YTD moves
CAD IG	97 bps	88 bps	-9 bps	-11 bps
US IG	83 bps	73 bps	-10 bps	-7 bps
US HY	323 bps	295 bps	-28 bps	-18 bps

- The risk-on rally continued in July, paused in August, and resumed in September, with investment-grade credit spreads tightening ~10 bps over the quarter.
- In Q3, a deluge of supply hit the domestic market, with a busier-than-usual July and record-breaking August and September. The YTD volume is only $20 bn shy of setting a new high for annual issuance.
- Strong inflows into fixed income, combined with light dealer inventories, created a technical bid, leading to performance in both new and existing bonds (i.e., primary and secondary markets).

The fund.

With credit spreads flirting with historical lows and looming economic risks, we maintained an underweight credit position, focusing on active trading and idiosyncratic opportunities. In terms of interest rates, the duration was actively managed in a range of 3.5 to 4.5, with exposures concentrated in the front end of the Canadian yield curve (i.e., 2-5y).

- Q3 F Class Returns: 2.08%; YTD: 4.62%

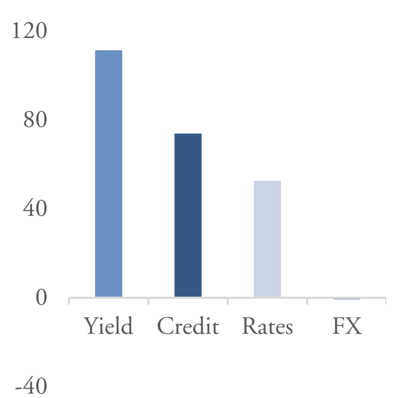
Fund performance. *All data as at September 30, 2025*

Returns *(F Class)*

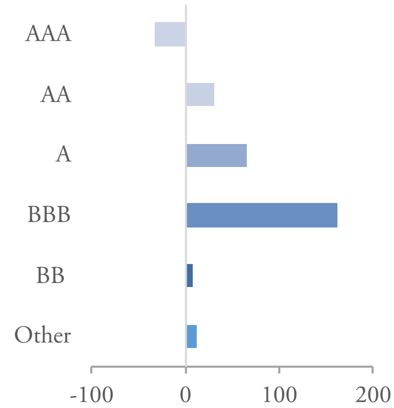
1 month	3 month	6 month	YTD	1 year	2020	2021	2022	2023	2024
1.08%	2.08%	3.40%	4.62%	6.55%	10.53%	2.42%	-6.15%	9.75%	9.84%

Return attribution *(basis points)*

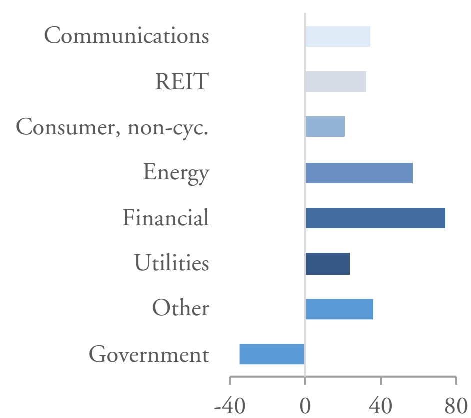
by Factor



by Rating

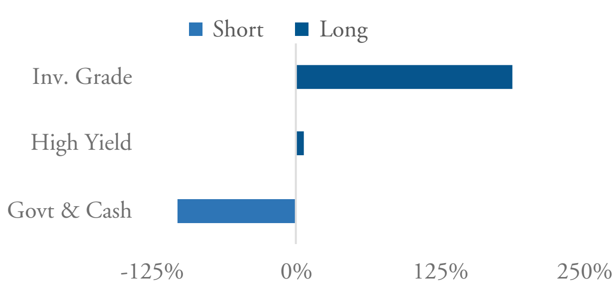


by Industry



Portfolio summary. *All data as at September 30, 2025*

Portfolio Breakdown *(net exposures)*



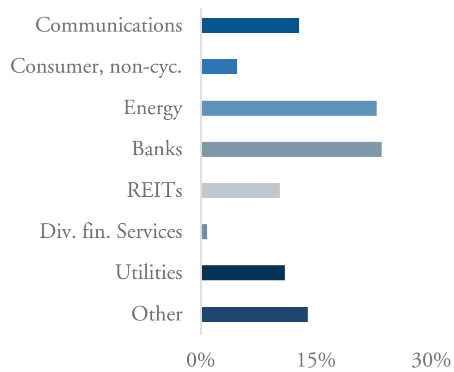
Key Metrics

Portfolio Yield	Interest Rate Duration	Average Term	CR01	Leverage
3.7%	4.5yrs	2.7yrs	4.3bps	2.1x

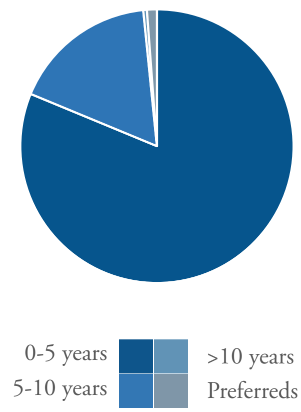
Portfolio Yield is the weighted average aggregate yield net of borrow cost; IR Duration is an estimate of portfolio sensitivity to 1% change in interest rates; Average Term is weighted average term to maturity of long positions; CR01 is an estimate of portfolio sensitivity for a one basis point change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

Long Exposures

by Industry



by Term



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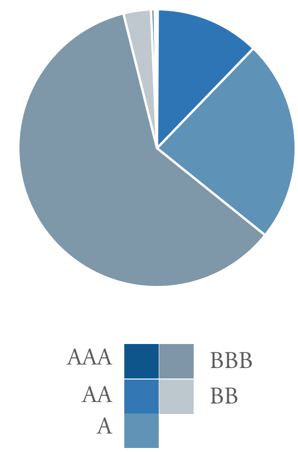

Top 10 Holdings

Videotron 4.5 *01/15/30*	**Bruce Power** 3.969 *06/23/26*
Ford 7 *02/10/26*	**Videotron** 4.65 *07/15/29*
National Bank 4.982 *03/18/27*	**Honda** FRN *06/29/26*
Enbridge CP *10/06/25*	**Enbridge** CP *10/21/25*
Vancity CP *10/20/25*	**TransAlta** 4.35 *05/12/26*

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