The 2.0 Quarterly *1st Quarter, 2026*

ALGONQUIN CAPITAL

Interest rates.

	Dec. 31, 2025	Mar. 31, 2026	Q1 moves
CAD Overnight	2.25%	2.25%	0.00%
CAD 2Y	2.59%	2.82%	0.24%
CAD 10Y	3.43%	3.47%	0.04%
US Fed Funds	3.64%	3.64%	0.00%
US 2Y	3.48%	3.80%	0.32%
US 10Y	4.17%	4.32%	0.15%

After trending sideways through January, interest rates declined 15-30 bps in February as investors fled to safety amid concerns around software, private credit, and geopolitical uncertainty. But once the war began, the flight to safety was overshadowed by inflation fears, with rates following oil higher.

At their peak, Canadian 2y yields were 81 bps higher in March, as the bond market priced 3 hikes in 2026. Towards month-end, de-escalation optimism led some of that move to be unwound, with yields implying just under 2 hikes by year-end.

South of the border, the US 2y rate spiked by 64 bps, with traders shifting from expecting 2 cuts this year to a slight probability of a hike. Similar to Canada, a portion of the move was reversed heading into month-end, with the market pricing a ~15% chance of a cut by year-end.

Credit.

	Dec. 31, 2025	Mar. 31, 2026	Q1 moves
CAD IG	84 bps	94 bps	10 bps
US IG	78 bps	89 bps	11 bps
US HY	292 bps	348 bps	57 bps

Credit markets began the year red hot, shrugging off geopolitical risks, tariff threats, and the deep Arctic cold. But in February, fears of AI disruption took over the market. While the AI of the storm was private credit, leveraged loans, and high-yield issuers, the risk-off tone spilled over into the investment-grade market. The war added further pressure on credit, though the moves were modest, with investment-grade spreads generically 5 bps wider in March.

The fund.

While we maintained an underweight in credit and actively managed duration, the rise in interest rates and credit spreads led to a minor loss for the quarter. We used the backup in short-term rates to add <1y paper at attractive all-in yields, thereby boosting portfolio carry with minimal, money-market-esque risk.

- 2026 F Class Returns: -0.11%

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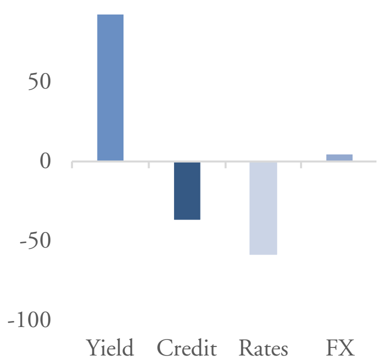
Fund performance. *All data as at March 31, 2026*

Returns *(F Class)*

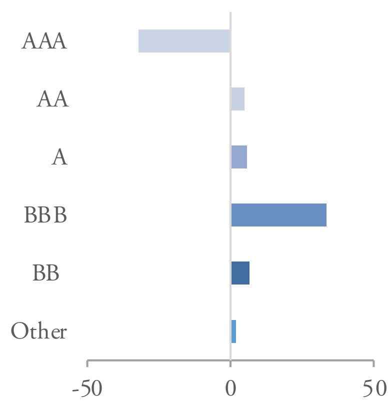
1 month	3 month	6 month	YTD	1 year	2020	2021	2022	2023	2024	2025
-1.60%	-0.11%	0.47%	-0.11%	3.89%	10.53%	2.42%	-6.15%	9.75%	9.84%	5.23%

Return attribution *(basis points)*

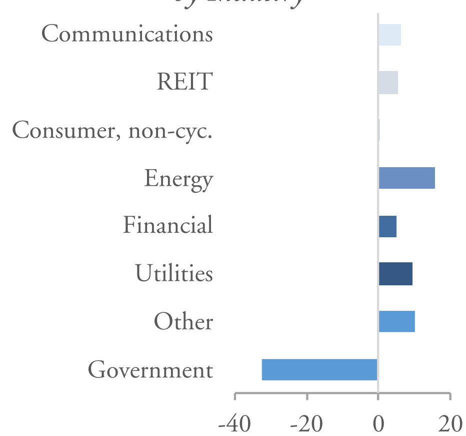
by Factor



by Rating

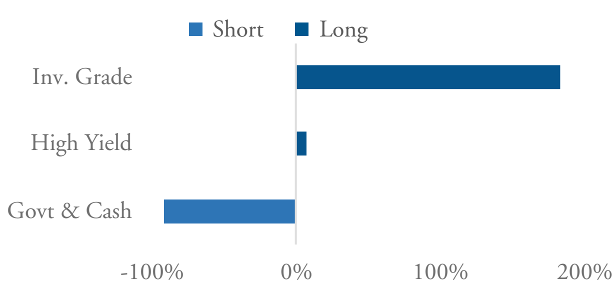


by Industry



Portfolio summary. *All data as at March 31, 2026*

Portfolio Breakdown *(net exposures)*



Key Metrics

Portfolio Yield	Interest Rate Duration	Average Term	CR01	Leverage
4.1%	4.4yrs	2.7yrs	4.9bps	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.

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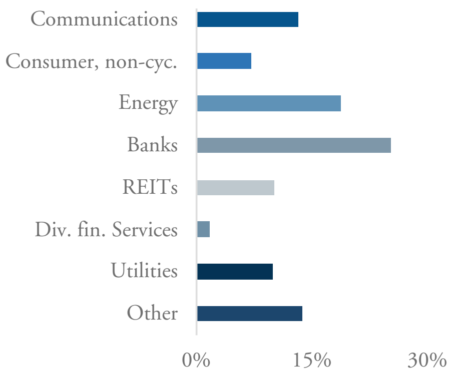
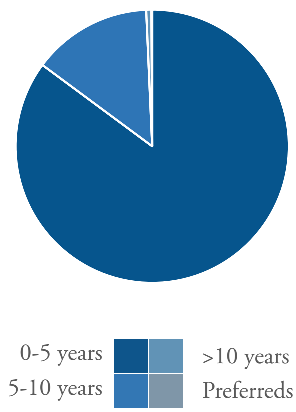
Long Exposures

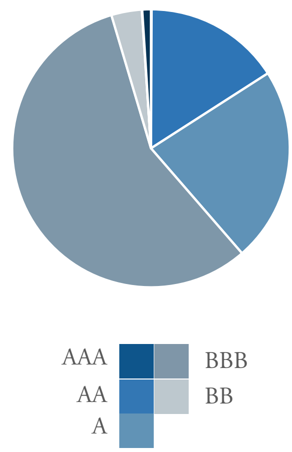
by Industry



by Term



by Rating



Top 10 Holdings

Videotron 4.5 *01/15/30*	**Enbridge** CP *04/24/26*
Enbridge FRN *02/25/28*	**Rogers** 5 *12/17/2081*
Ford 3.65 *03/31/27*	**Empire Life** 5.503 *01/13/33*
Capital Power 5.378 *01/25/27*	**Chartwell** 6 *12/08/26*
Wells Fargo 5.083 *04/26/28*	**Ford** 7.375 *05/12/26*