The 2.0 Quarterly *2nd Quarter, 2026*

ALGONQUIN CAPITAL

Interest rates.

	Mar. 31, 2026	*Jun. 30, 2026*	*Q2 moves*	*YTD moves*
CAD Overnight	2.25%	2.25%	0.00%	0.00%
CAD 2Y	2.82%	2.75%	-0.08%	0.16%
CAD 10Y	3.47%	3.38%	-0.09%	-0.05%
US Fed Funds	3.64%	3.63%	0.00%	0.00%
US 2Y	3.80%	4.18%	0.38%	0.70%
US 10Y	4.32%	4.47%	0.15%	0.30%

The BoC continued to hold the overnight rate steady at 2.25%. The market has settled on the idea that the next move will be a hike, with the debate being whether that comes this year or next. Canadian yields were choppy, rising in April before reversing course after a soft May GDP print to finish the quarter modestly lower.

South of the border, the new Fed Chair Warsh struck a hawkish tone in his June debut, reanchoring the Fed's inflation commitment. US short-end yields rose sharply as a result, with the market pricing 1.5 hikes by year-end and the US 2y finishing the quarter 38 bps higher.

Credit.

	Mar. 31, 2026	*Jun. 30, 2026*	*Q2 moves*	*YTD moves*
CAD IG	94 bps	87 bps	–7 bps	3 bps
US IG	89 bps	74 bps	–15 bps	–4 bps
US HY	348 bps	297 bps	–51 bps	6 bps

In credit markets, the 2026 story continues to be one of supply. June was the biggest new issue month in Canadian corporate bond history, with $35 bn of supply, taking the YTD total to $120 bn, making it the fourth-largest year on record, with six months still to go. Q2 also saw the hyperscalers come to town, with Alphabet issuing $8.5 bn, only to be outdone by Amazon's $14 bn deal. The market absorbed both the deluge of supply and macro volatility, with spreads finishing the quarter modestly lower.

The fund.

The Fund benefited from running minimal US duration, with rate exposure concentrated in Canada. Over the quarter, the main drivers of return were yield, credit, and active trading. We remain focused on high-quality, liquid issuers and actively manage duration within a 3-5 year range.

- F Class Returns Q2: 1.38% YTD: 1.27%

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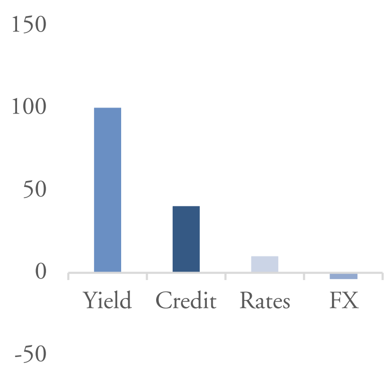
Fund performance. *All data as at June 30, 2026.*

Returns *(F Class)*

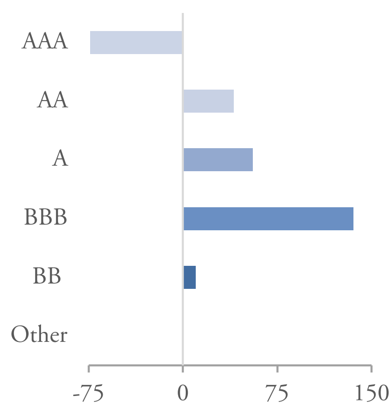
1 month	3 month	6 month	YTD	1 year	2020	2021	2022	2023	2024	2025
0.23%	1.38%	1.27%	1.27%	3.98%	10.53%	2.42%	-6.15%	9.75%	9.84%	5.23%

Return attribution *(basis points)*

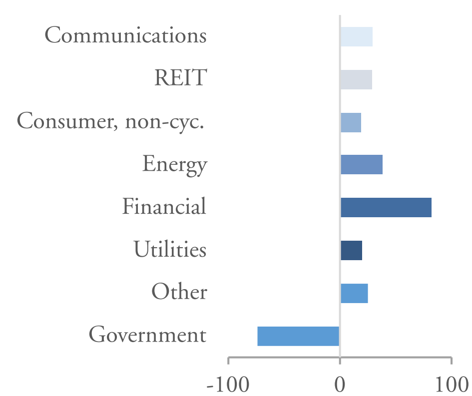
by Factor



by Rating

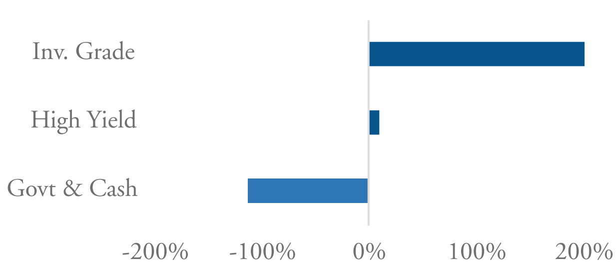


by Industry



Portfolio summary. *All data as at June 30, 2026.*

Portfolio Breakdown *(net exposures)*



Key Metrics

Portfolio Yield	Interest Rate Duration	Average Term	CR01	Leverage
4.5%	3.8yrs	2.6yrs	5.0bps	2.0x

Portfolio Yield is the weighted average yield to maturity net of borrow costs and adjusted to account for the implied yield from interest rate futures positions; 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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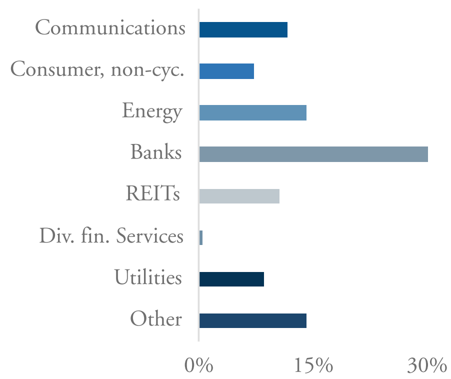
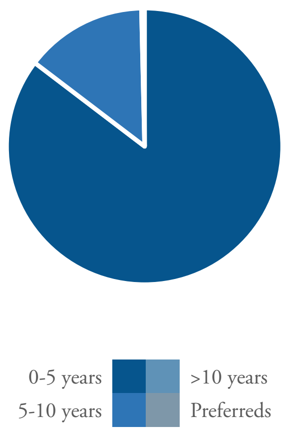
Long Exposures

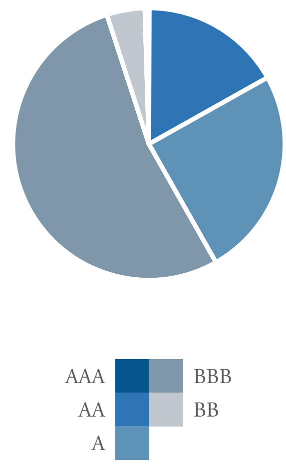
by Industry



by Term



by Rating



Top 10 Holdings

BNS 3.934 *05/03/32*	**Chartwell** 6 *12/08/26*
Videotron 4 1/2 *01/15/30*	**Crombie** 3.677 *08/26/26*
Enbridge FRN *02/25/28*	**Dream Industrial REIT** 2 1/4 *01/12/27*
Capital Power 5.378 *01/25/27*	**TD** 3.6 *10/31/2081*
Rogers 3.65 *03/31/27*	**Wells Fargo** 5.083 *04/26/28*