

Interest rates.

The second quarter saw a continuation of the interest rate volatility that we have grown accustomed to over the past few years. In addition to the 'usual' fluctuations, Q2 also saw the Bank of Canada (BoC) begin its cutting cycle, which led to a cross-border divergence in yields.

While both Canadian and US yield curves became less inverted, the nature of the steepening differed. South of the border, strong economic data pushed rate cuts further into the future, increasing yields across the curve. On the northern side of the divide, the steepening occurred from shorter-dated rates (i.e., 2y) falling with longer yields virtually unchanged.

Over the quarter:

- Canadian 2y finished at 3.99% (-18 bps) and the 10y at 3.50% (+3 bps)
- US 2y finished at 4.76% (+13 bps) and the 10y at 4.40% (+20 bps)

Credit.

The story in credit markets continues to center around supply. After an almost record-breaking Q1, the domestic market saw a whopping \$40+ bn of new issuance in Q2. By some estimates, we have already seen 75-80% of the expected issuance for 2024. The natural reaction to such a flood of new corporate bonds was credit spreads coming under pressure and widening. But given the sheer volume of supply, markets held up relatively well, thanks to strong demand for fixed income.

Over the quarter:

- Canadian investment-grade spreads widened 2 bps to 122 bps
- US investment-grade spreads widened 4 bps to 94 bps
- High yield spreads widened 12 bps to 333 bps

The fund.

The Fund continued to outperform broader fixed-income indices with another solid quarter. The portfolio benefitted from having interest rate exposure concentrated in the short end of the Canadian yield curve. Furthermore, the weakness in credit markets was more than offset by active management and the yield earned.

F Class Returns: Q2: 1.50%; YTD: 3.02%; 1Y: 9.08%; 3Y: 1.73%; SI: 3.85%

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 used the supply-driven weakness in Q2 to tactically add domestic exposure. With the new issue calendar looking light and strong demand for fixed income, we see the opportunity for spreads to grind tighter.

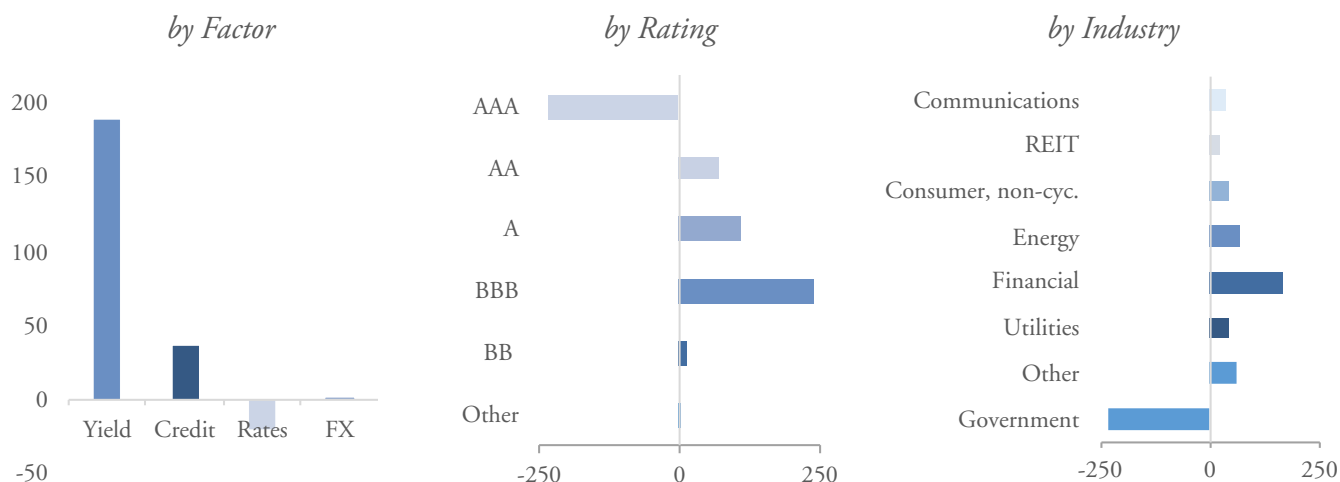
When it comes to rates, our bias remains towards the short end. With the BoC beginning its easing campaign and the Fed inching ever closer, we see the most opportunity in 2-5y yields. As we move through the cutting cycles, we anticipate valuations will shift. Accordingly, we expect to be very active in managing exposure across the curves.

Fund performance. *All data as at June 28, 2024*

Returns (F Class)

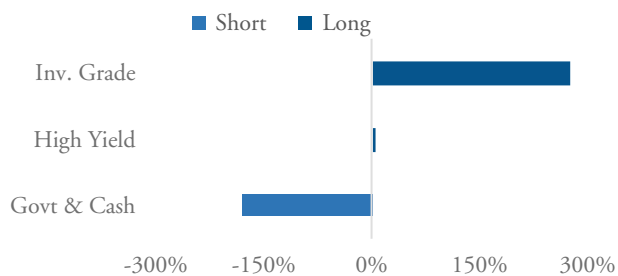
1 month	3 month	6 month	YTD	1 year	2020	2021	2022	2023
0.96%	1.50%	3.02%	3.02%	9.08%	10.53%	2.42%	-6.15%	9.75%

Return attribution (*basis points*)



Portfolio summary. *All data as at June 28, 2024*

Portfolio Breakdown (*net exposures*)

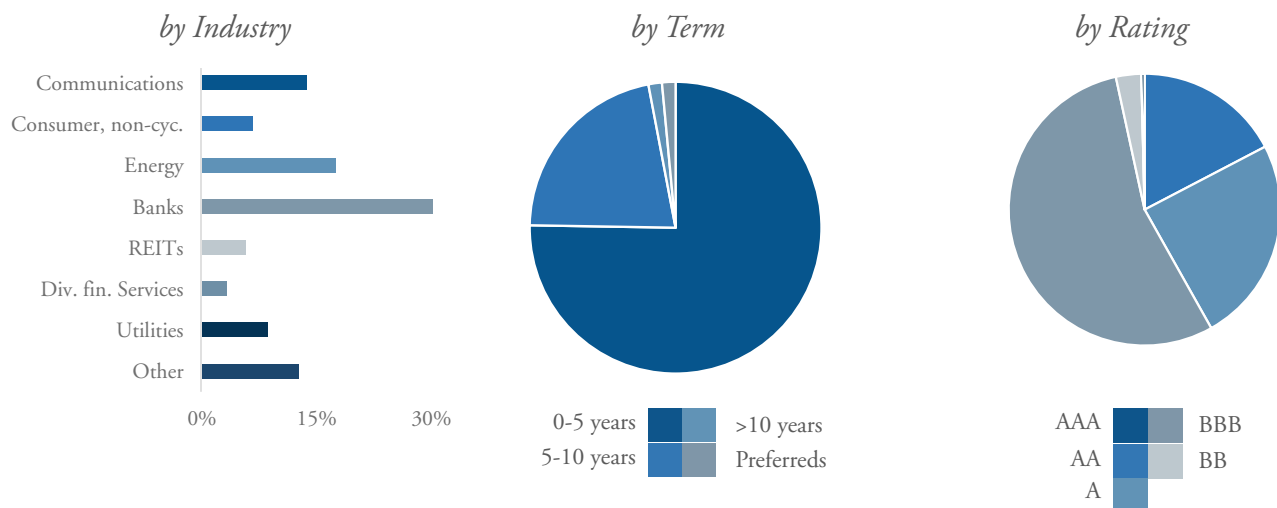


Key Metrics

Portfolio Yield	Interest Rate Duration	Average Term	CR01	Leverage
6.4%	3.7 yrs	3.6 yrs	8.4 bps	2.4x

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 07/03/24

ENB CCP 0 07/10/24

ENB CCP 0 07/11/24

BNS 4.95 08/01/34

WFC 2.568 05/01/26

GS 2.599 11/30/27

TD 5.177 04/09/34

BRUPOW 4.7 12/21/27

RCICN 3.65 03/31/27

QBRCN 4.65 07/15/29

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