

## Interest rates.

2024 was the year of the interest rate cuts. The Bank of Canada (BoC) began in June by delivering three consecutive 25 bps cuts before finishing the year with two 50 bps moves. South of the border, the Federal Reserve (Fed) began its campaign in September with a 50 bps cut before slowing the pace with two 25 bps reductions into year-end.

Despite the cuts, longer-dated yields sold off as inflation and deficit concerns led markets to increase term premiums. This led to a wide dispersion of fixed-income returns, with the major bond indices finishing 2024 between -8% and +8%.

	<i>Dec. 31, 2023</i>	<i>Dec. 31, 2024</i>	<i>Year-over-Year</i>
<i>CAD Overnight</i>	5.00%	3.25%	-1.75%
<i>CAD 2Y</i>	3.89%	2.93%	-0.96%
<i>CAD 10Y</i>	3.11%	3.23%	+0.12%
<i>US Fed Funds</i>	5.38%	4.38%	-1.00%
<i>US 2Y</i>	4.25%	4.24%	-0.01%
<i>US 10Y</i>	3.88%	4.57%	+0.69%

## Credit.

In credit markets, corporate issuance exceeded expectations in both Canada and the US, with CAD 147 billion and USD 1.6 trillion of new deals. The higher-than-expected supply was met with higher-than-expected demand, leading to spreads grinding tighter, with Canadian credit outperforming and closing the gap with the US.

	<i>Dec. 31, 2023</i>	<i>Dec. 31, 2024</i>	<i>Year-over-Year</i>
<i>CAD IG</i>	132 bps	99 bps	-33 bps
<i>US IG</i>	99 bps	80 bps	-19 bps
<i>US HY</i>	346 bps	313 bps	-33 bps

## The fund.

The Fund continued its run of outperformance, capping off a strong 5 years since its inception.

F Class Returns (2024): **9.84%**

The primary factors underlying the outperformance,

- Concentrated interest exposure in the short end of the Canadian yield curve.
- Overweight Canadian investment-grade credit and the banking sector.
- Capitalizing on the volatility in bond markets.

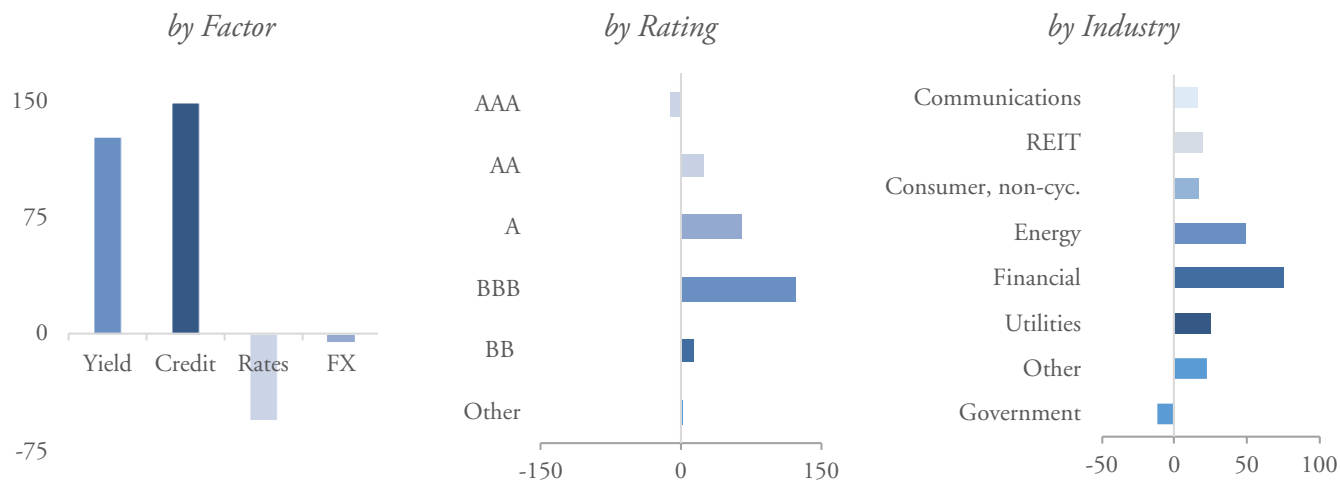
Given the political and economic uncertainty, we find it impossible to have strong convictions for the year ahead. The only thing we feel confident of is that there will be more volatility than expected. Accordingly, we have significantly reduced portfolio exposures to capitalize on dislocations when the market overreacts to new data and policies.

## Fund performance. *All data as at December 31, 2024*

### Returns (F Class)

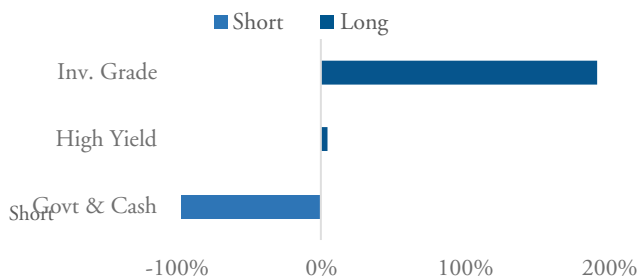
1 month	3 month	6 month	YTD	1 year	2020	2021	2022	2023
0.62%	1.85%	6.61%	9.84%	9.84%	10.53%	2.42%	-6.15%	9.75%

### Return attribution (*basis points*)



## Portfolio summary. *All data as at December 31, 2024*

### Portfolio Breakdown (*net exposures*)

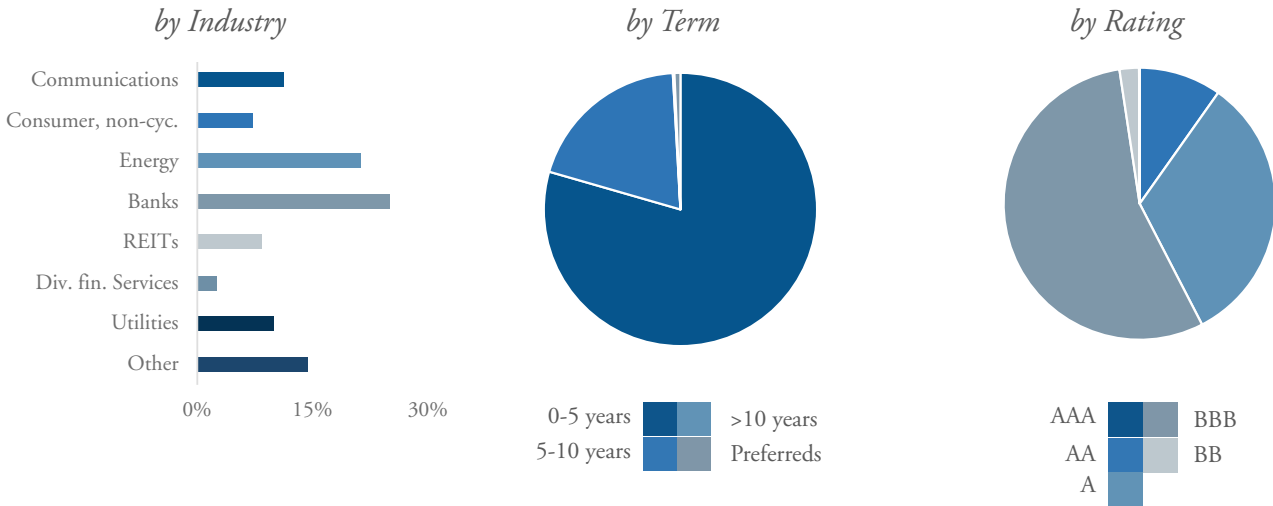


### Key Metrics

Portfolio Yield	Interest Rate Duration	Average Term	CR01	Leverage
4.5%	2.8 yrs	3.1 yrs	5.5 bps	1.8x

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

<b>FCLCAN</b> 3.917 06/17/25	<b>ALACN</b> 3.84 01/15/25
<b>WFC</b> 2.568 05/01/26	<b>ENB CCP 0</b> 01/06/25
<b>HNDA</b> float 06/29/26	<b>ENB CCP 0</b> 01/21/25
<b>ENB CCP 0</b> 01/09/25	<b>ENB CCP 0</b> 01/27/25
<b>BNS</b> 4.95 08/01/34	<b>QBRCN</b> 4.65 07/15/29

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