

# YTM Capital Credit Opportunities Fund



## Strategy

Long / short hedge fund delivering Canadian investment grade credit exposure



## Target

Long-term net returns of 6% - 8% with low volatility



## Portfolio

Short maturity investment grade credit with neutralized interest rate risk

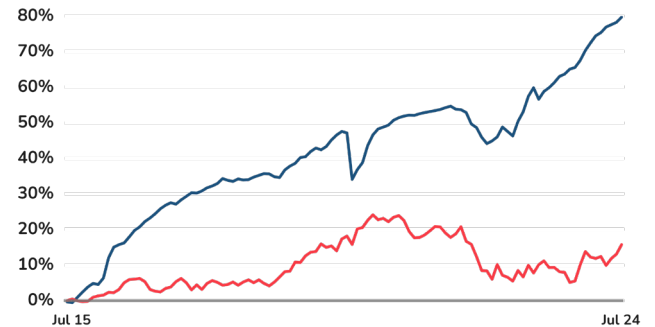


## Uncorrelated

Compelling fixed-income alternative

## Net Performance

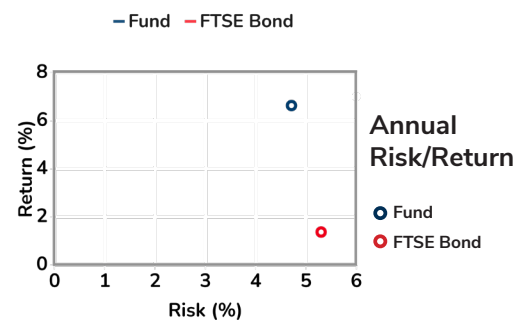
	1 month	1 year	3 year	5 year	S.I.
Fund	0.83%	10.25%	5.42%	4.69%	6.67%
FTSE Bond	2.37%	7.06%	-1.42%	0.34%	1.62%



## Risk

LOW	MEDIUM	HIGH
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CR01 as a percent of NAV	0.057%	Months Positive	76%
Average Weighted Maturity	1.7 years	Best Month	5.33%
Modified Duration	0.48	Worst Month	-8.89%
Annualized Standard Deviation	4.7%	Maximum Drawdown	-9.18%
Sharpe Ratio	1.07	Upside Capture - FTSE Bond	59
Correlation to FTSE Bond	0.23	Downside Capture - FTSE Bond	-26



## Portfolio Manager Commentary

**Daniel Child** CA, CPA, CFA

**Edward Winiarz** CFA

It was a calm month for credit. Canadian corporate bond spreads were unchanged and better than the 2 basis points widening posted by the U.S. market. Given the second consecutive Bank of Canada rate cut investors may have expected better. However, as we have discussed, spreads are relatively tight and most of the positive news seems to be baked into current pricing. Economic numbers continue to drive significant rate moves with the market pricing in more North American central bank rate cuts. Our view has not changed: it is a bit premature for significant rate cuts – there is still a risk of inflation reigniting. Macro risks are trending upwards thanks to Middle East escalations, U.S. elections, and Russia/China vs the Rest-of-the-World. On the positive side the U.S. experienced a positive earnings season with 75% of S&P companies reporting and 78% beating estimates. Canada saw a more balanced beat/miss ratio. That said, outside of Telcos and Autos, there has not been any material deterioration in credit quality.

The new issue market was reasonably busy as demonstrated by the fact that the monthly total came in bang on the ten-year average. Big 6 banks were the most active, mostly in the sub-debt space, as senior paper could be raised more cheaply in overseas markets. Autos were also active issuers, despite the weaker earnings in some cases, as their  $\text{\$C}$  paper is more attractively priced for investors than international comparisons, providing a buffer if spreads start to widen.

Summer months generally mean less liquid markets with reduced trading activity. This market dynamic can result in heightened volatility, as shown in the first week of August. While we did think the volatility was an overreaction, we have slightly reduced risk. Given that we were running conservative risk levels with a high quality, liquidity focus, we are satisfied with Fund positioning as we head into what we believe will be a more volatile fall market. All the while we continue to clip an attractive yield.



# Portfolio Managers



## Seasoned

More than 41 combined years of portfolio management and fixed-income experience



## Accomplished

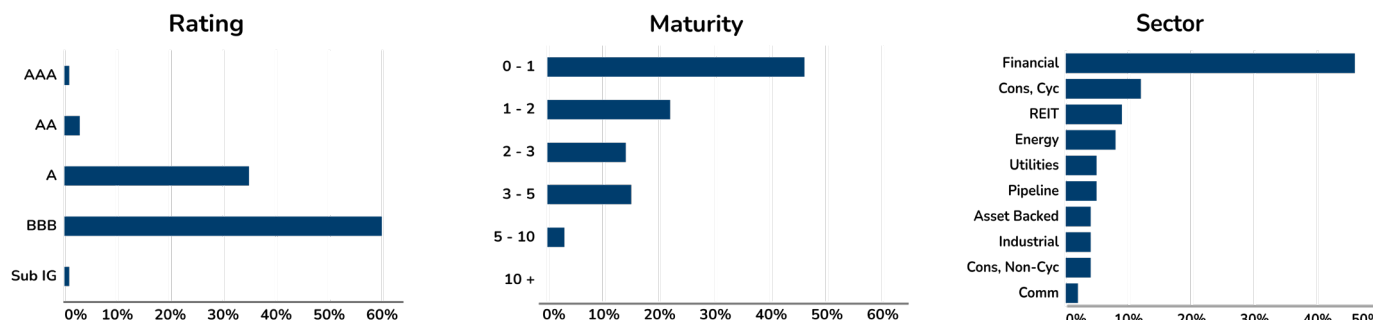
Head Corporate Trader and Director at major Canadian dealers responsible for billions of at-risk capital



## Conservative

Focused on downside protection, putting capital preservation first while delivering strong risk-adjusted returns

# Portfolio



# Monthly Net Performance (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2024	1.25	1.15	0.52	0.89	0.37	0.38	0.83						5.52
2023	2.84	1.55	-2.03	1.41	0.67	0.89	1.07	0.41	0.85	0.28	1.19	1.68	11.28
2022	-0.54	-2.09	-0.68	-1.83	-1.22	0.52	0.78	1.91	-0.85	-0.85	2.80	1.79	-0.40
2021	0.30	0.18	-0.05	0.29	0.22	0.18	0.18	0.20	0.34	0.27	-0.55	-0.09	1.48
2020	0.69	-0.29	-8.89	2.07	1.43	3.47	2.08	1.14	0.36	0.38	0.92	0.47	3.33
2019	1.55	0.82	0.55	1.18	0.17	1.04	0.69	-0.36	0.66	0.42	0.87	0.95	8.86
2018	1.06	-0.37	-0.23	0.53	-0.16	0.07	0.47	0.38	0.39	-0.09	-0.58	-0.16	1.32
2017	1.14	0.84	0.52	-0.28	0.94	0.77	0.74	-0.09	0.44	0.73	0.41	0.46	6.82
2016	-0.30	1.74	5.33	2.66	0.64	0.38	1.50	1.54	0.84	1.25	0.79	0.94	18.62
2015							-0.43	-0.13	1.52	1.44	1.41	0.96	4.84

# Fund Details

<b>Transactions</b>	Monthly	<b>Distributions</b>	Monthly (5%/yr target; TA,TF) Quarterly (A,F)
<b>Redemptions</b>	30 days notice	<b>Reg Plans</b>	Yes
<b>Management fee</b>	2.00% (A, TA) 1.50% (F, TF)	<b>Fundserv</b>	YTM500 (A) YTM530 (TA) YTM510 (F) YTM540 (TF)
<b>Performance fee</b>	15%, Highwater Mark		

# YTM Capital

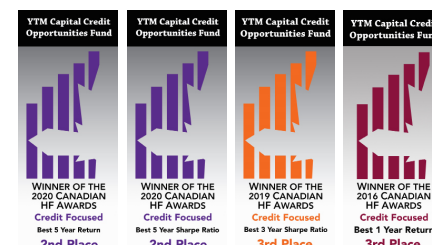
YTM is a credit fund manager established in 2010. We have more than \$650 million in assets under management and are based in Oakville, Ontario.

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**As of JULY 31, 2024. FTSE Bond** = FTSE Canada Universe Bond Index. CR01 measures the impact on a Fund's value by a 1 basis point change in credit spreads. Sharpe Ratio is calculated using a 3 month GOC T-Bill as the risk free rate. Drawdown represents the percentage loss for the Fund from peak to trough. In risk/return chart, risk is represented by standard deviation since inception ("SI" = July 1, 2015) and returns are SI. The Canadian Hedge Fund Awards are administered by Alternative IQ. The awards are based on a quantitative measure of a fund's performance in the Credit Focused category. Of the 33 funds considered, the Fund had the 3rd highest return for the year ending June 30, 2016. Of the 27 funds considered, the Fund had the 3rd highest Sharpe ratio for the 3 years ending June 30, 2019. Of the 18 funds considered, the Fund had the 2nd highest Sharpe ratio and 2nd highest return for the 5 years ending June 30, 2020. This document is for information only and is not intended to solicit orders for the Fund. Investors should read the Offering Memorandum (OM), including the risk section before investing. You can obtain the OM from YTM Capital Asset Management Ltd. Fund data will change and past performance may not be repeated. There is no guarantee the Fund will provide returns similar to its target. Performance is net of fees and expenses, is for Class F, Initial Series, distributions reinvested, and the SI figure is annualized. Rating and maturity information exclude cash and GOC securities. YTM rates unrated securities by using third party data and judgment. Maturity and CR01 are calculated using the expected maturity date for securities with call features. [www.ytmcapital.com](http://www.ytmcapital.com)

