

YTM Capital Fixed Income Alternative Fund



Strategy

Long / short hedge fund delivering Canadian investment grade credit exposure



Target

Long-term net returns of 4% - 6% with low volatility



Portfolio

Short maturity corporate bonds with neutralized interest rate risk

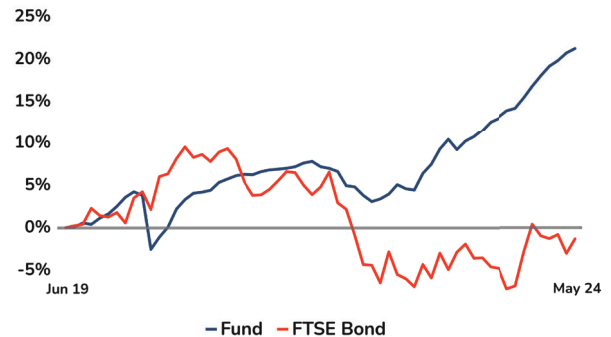


Uncorrelated

Compelling fixed-income alternative

Net Performance

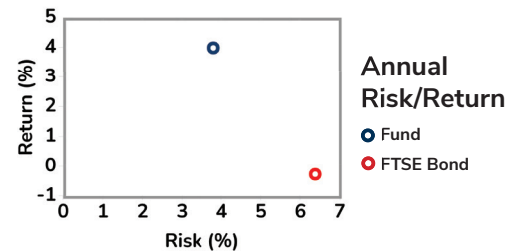
	1 month	1 year	3 year	S.I.
Fund	0.44%	9.46%	4.31%	3.98%
FTSE Bond	1.77%	2.30%	-1.91%	-0.28%



Risk

LOW	MEDIUM	HIGH
-----	--------	------

CR01 as a percent of NAV	0.057%	Months Positive	77%
Average Weighted Maturity	1.8 years	Best Month	2.13%
Modified Duration	0.30	Worst Month	-6.11%
Annualized Standard Deviation	3.8%	Maximum Drawdown	-6.52%
Sharpe Ratio	0.48	Upside Capture - FTSE Bond	39
Correlation to FTSE Bond	0.29	Downside Capture - FTSE Bond	-6



Portfolio Manager Commentary

Daniel Child CA, CPA, CFA

Edward Winiarz CFA

Spreads widened in May despite lower rates, which are bullish for credit, and equity volatility, which is also often constructive for credit. The main spread driver was robust new issuance. May was the busiest month of 2024 at nearly \$13 billion, 22% above the ten-year average for the month. Another factor was mixed bank earnings. The release of earnings is often the start of Canadian bank issuance, but we expect most bank debt raising to happen in cheaper foreign markets, with the exception of subordinated debt, which still maintains a pricing advantage in Canada. A potential recession in addition to volatile bank earnings and regulatory issues in the US, at least for TD, also kept spreads from tightening in Canada.

As a result, the lag in Bank spreads have increased Bank debt attractiveness and we have used the new issue market to increase exposure to their relatively cheap subordinated debt issues. Spreads were also kept from tightening from the prospective new issuance expected in June, including what ended up being the largest ever multi-tranche deal in Canada at over \$7 billion. With lower rates and mostly stable credit spreads we think the new issue market may see some opportunistic deals as well as some pull forward of funding usually seen in the Fall.

Credit quality remains strong for C\$ IG issuers despite the prolonged length of higher rates. For example, another upgrade (Videotron) from high yield to investment grade occurred during the month. It has been over two years since the last downgrade and the ratio of positive outlooks to negative outlooks is back over one. While higher rates are having an impact on corporate balance sheets, that impact seems to be manageable thus far.

We continue to think that spreads are vulnerable to an orderly widening when we see an economic downturn or recession, but the exact timing remains elusive. That said, Canadian IG spreads look cheap to both US corporate bond spreads and CDX. As a result, we continue to value liquidity and quality but are adding risk on a relative value basis.



Portfolio Managers



Seasoned

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



Accomplished

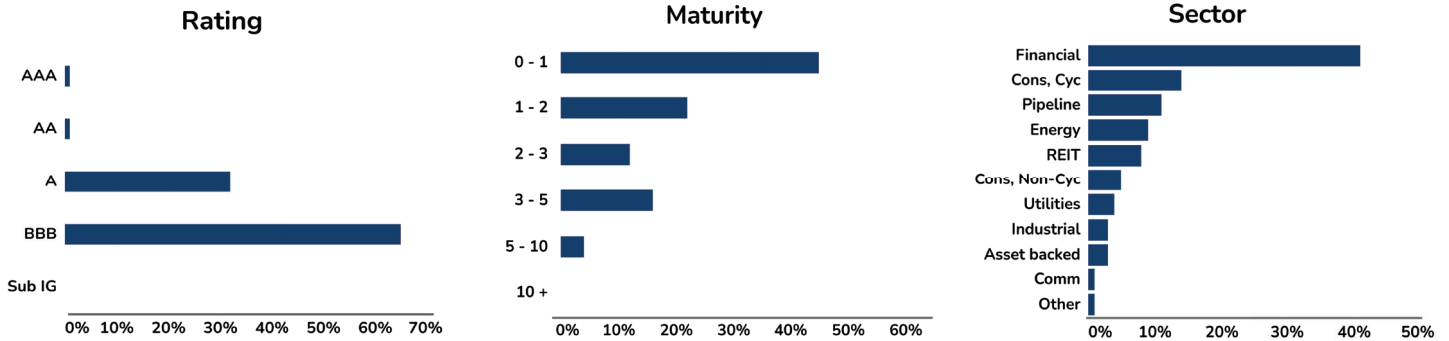
Head Corporate Trader and Director at major Canadian dealers responsible for billions of at-risk capital



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	1.06	1.02	0.50	0.76	0.44								3.83
2023	1.68	1.05	-1.10	0.91	0.49	0.71	0.94	0.41	0.70	0.26	1.08	1.20	8.63
2022	-0.35	-1.57	-0.14	-0.95	-0.70	0.30	0.50	1.06	-0.46	-0.15	1.88	1.01	0.45
2021	0.37	0.15	-0.04	0.34	0.20	0.07	0.11	0.17	0.40	0.18	-0.58	-0.18	1.19
2020	0.63	-0.41	-6.11	1.47	1.19	2.13	1.08	0.73	0.12	0.20	0.90	0.38	2.08
2019						0.06 *	0.49	-0.16	0.73	0.48	0.88	1.04	3.57

Fund Details

Transactions	Daily	Distributions	Monthly (5%/yr target; TA/TF) Quarterly (A/F)
Management fee	1.90% (A/TA) 0.90% (F/TF)	Fundserv	YTM401 (A) YTM402 (TA) YTM405 (F) YTM406 (TF)
Performance fee	15%, high watermark	Reg Plans	Yes
Fund Administrator	SGGG Fund Services Inc.	Auditor	PwC LLP

YTM Capital

YTM is a credit fund manager established in 2010. We have more than \$600 million in assets under management and are based in Oakville, Ontario.

Kevin Foley
kevin.foley@ytmcapital.com
416 306 8328

Gianni Markou
gianni.markou@ytmcapital.com
416 985 1444

Art Sanchez
art.sanchez@ytmcapital.com
416 471 7341

As of MAY 31, 2024 * June 24 - 30, 2019. **FTSE Bond** = FTSE Canada Universe Bond Index. CR01 measures how much the Fund's value is impacted by a 1 basis point change in credit spreads. Sharpe Ratio is calculated using a 3 month Government of Canada Treasury Bill as the risk free rate. Drawdown represents the percentage loss for the Fund from peak to trough. Market capture ratios compare the Fund's performance to the FTSE Bond index. Comparative returns are provided to demonstrate the Fund's utility as an alternative investment. Investors should consider differences between the investments generally represented by the indexes and the Fund, such as risk profiles and taxation of returns. This document is for information only and is not intended to solicit orders for the Fund. Investors should read the Simplified Prospectus (SP) and Fund Facts (FF) including the Risk Factors sections before making an investment. You can obtain the SP and FF from YTM Capital Asset Management Ltd. and at ytmcapital.com or from your investment advisor. 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, distributions reinvested. Rating and maturity information exclude cash and Government of Canada 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. ytmcapital.com