

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

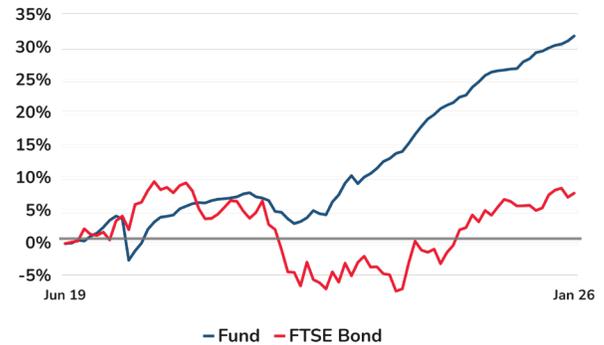


Uncorrelated

Compelling fixed-income alternative

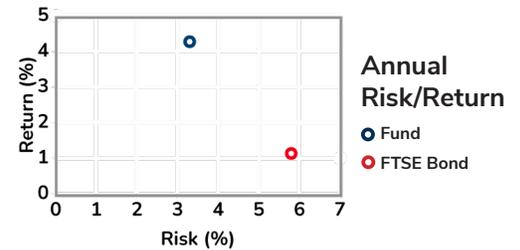
Net Performance

| | 1 month | 1 year | 3 year | 5 year | S.I. |
|-----------|---------|--------|--------|--------|-------|
| Fund | 0.59% | 4.22% | 6.46% | 4.43% | 4.27% |
| FTSE Bond | 0.58% | 2.01% | 3.56% | -0.07% | 1.13% |



Risk

| LOW | MEDIUM | HIGH | |
|-------------------------------|-----------|------------------------------|--------|
| CR01 as a percent of NAV | 0.049% | Months Positive | 82% |
| Average Weighted Maturity | 2.1 years | Best Month | 2.13% |
| Modified Duration | 0.37 | Worst Month | -6.11% |
| Annualized Standard Deviation | 3.3% | Maximum Drawdown | -6.52% |
| Sharpe Ratio | 0.57 | Upside Capture - FTSE Bond | 40 |
| Correlation to FTSE Bond | 0.28 | Downside Capture - FTSE Bond | -11 |



Portfolio Manager Commentary

Daniel Child CA, CPA, CFA

Edward Winiarz CFA

January delivered a powerful start to the year for Canadian investment grade credit markets, defying expectations for a post-rally pause and digesting record issuance volumes with remarkable ease. The CAD IG Credit index tightened 6 basis points during the month, to a post-GFC tight of +77bps. Perhaps most striking was the market's ability to absorb \$16.5 billion in new issuance — 80% above the 10-year average and 30% above the previous January record — while simultaneously driving secondary spreads tighter as investors lifted dealers out of inventory. Due to low inventory, dealers continue to be unable to provide meaningful two-way markets, and investors are forced to pay up in secondary to establish positions, creating a self-reinforcing tightening cycle. Moreover, insurance companies and pension funds continue to face structural needs to match long-dated liabilities, creating price-insensitive demand for credit duration.

The dominant force in the current market is a "massive liquidity period" where investment flows are effectively overpowering supply considerations. This is driven by record-high assets under management (AUM) across both mutual funds and ETFs. Mutual Fund AUM (2025): Reached a record \$2.53 trillion, representing a 12.7% Y/Y increase. ETF Asset Growth: ETF assets hit an all-time high of \$713 billion, a massive 37.8% Y/Y increase. Much of that investor flow finds its way into the Canadian fixed income market. This growth is fueling the credit market with an unprecedented amount of "dry powder" that must be deployed regardless of spread levels. As long as net sales remain positive — as they have for the last two years in bond mutual funds and many more in ETFs — the structural bid for credit will persist, keeping spreads relatively anchored.

While January's performance was undeniably strong, several warning signals merit attention. With spreads at post-GFC tights, quality differentials compressed to historical lows, and spread-to-yield ratios in the bottom quartile of the past decade, the margin of safety has eroded significantly. Current valuations price near-perfect credit outcomes and provide minimal cushion should fundamentals deteriorate or market liquidity evaporate. The 24bp BBB-A differential offers inadequate compensation for rating migration risk at this stage of the cycle. Key signposts that could disrupt the current benign environment include: (1) unexpected inflation rebound forcing a Bank of Canada hawkish pivot, (2) escalation of trade tensions impacting Canadian exporters, (3) meaningful widening in US credit spreads that spills over to CAD, or (4) supply surge overwhelming technical demand. None appear imminent, but our positioning reflects the limited upside from spread compression and is increasingly focused on high quality exposure with minimal sacrifices needed in running yield. That said, we continue to run low risk at 50%-60% of historical averages, and will continue our active management style and look for signs of weakness to add risk.



Portfolio Managers



Seasoned

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



Accomplished

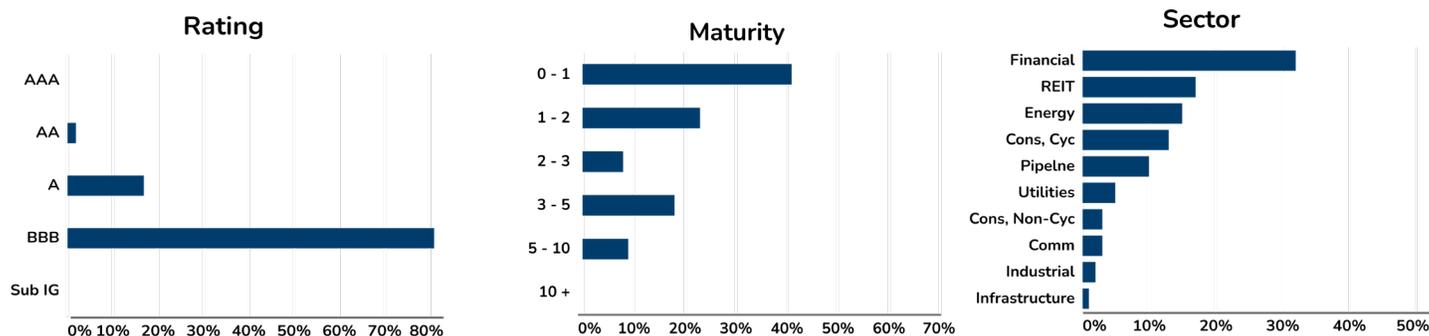
Head Corporate Trader and Director at major Canadian dealers responsible for billions of at-risk capital



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 |
|------|-------|-------|-------|-------|-------|--------|------|-------|-------|-------|-------|-------|--------|
| 2026 | 0.59 | | | | | | | | | | | | 0.59 |
| 2025 | 0.16 | 0.10 | 0.17 | 0.06 | 0.76 | 0.37 | 0.73 | 0.17 | 0.38 | 0.31 | 0.14 | 0.37 | 3.78 |
| 2024 | 1.06 | 1.02 | 0.50 | 0.76 | 0.44 | 0.32 | 0.71 | 0.23 | 1.00 | 0.72 | 0.72 | 0.42 | 8.18 |
| 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 (4%/yr target; TA/TF) Quarterly (A/F/US) |
| Management fee | 1.90% (A/TA/US) 0.90% (F/TF/US) | Fundserv | YTM401 (A) YTM402 (TA) YTM404 (A-USD) YTM405 (F) YTM406 (TF) YTM408 (F-USD) |
| Performance fee | 15%, high watermark | Reg Pans | Yes |
| Fund Administrator | SGGG Fund Services Inc. | | |
| Auditor | PwC LLP | | |

YTM Capital

YTM is a credit fund manager established in 2010, based in Oakville, Ontario that focuses on providing better fixed income solutions.

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As of JANUARY 31, 2026 * June 24 - 30, 2019. **FTSE Bond** = FTSE Canada Universe Bond Index. CR01 measures the impact of a 1 basis point change in credit spreads on the Fund's value. Sharpe Ratio is calculated using a 3 month GOC 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

