

THE CURRENT CASE FOR SHORT TERM CREDIT INVESTMENT, WITHOUT RATES.

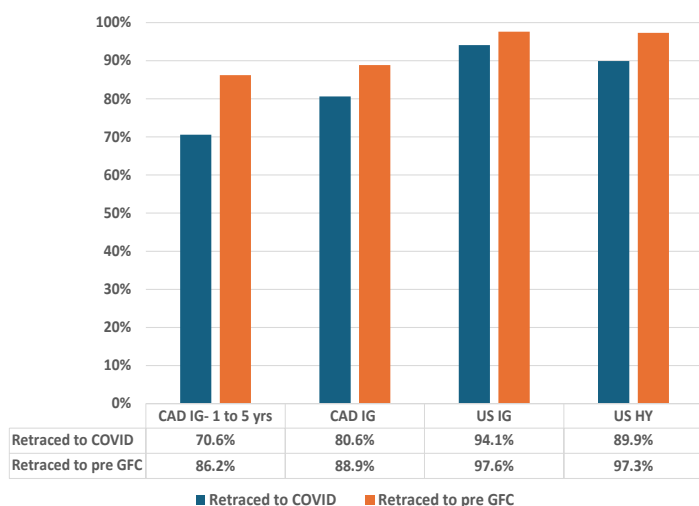
YTM Capital Credit Opportunities Fund can be your fixed income solution, or it can be added to your absolute return bucket. It offers a current running yield of 8.5%.

Along with the talk of stock market bubbles, possible rate cuts, and tempering inflation, we are all hearing more about tight credit spreads and high yield bonds priced for perfection.

Some credit spreads are indeed tight, approaching the 2021 levels that represent their tightest of this cycle. However, all credit spreads do not move in tandem, and some spreads have not reached, or *retraced* back to, those tight levels.

One way to evaluate the attractiveness of credit spreads is to compare current levels to notable previous levels. As shown below, 1-5yr Canadian investment grade credit spreads have retraced less toward those 2021-tights than both the Canadian and US credit spread indices, and the US high yield index.

Canadian IG 1-5 Year Retracement vs CAD and US IG and HY Index

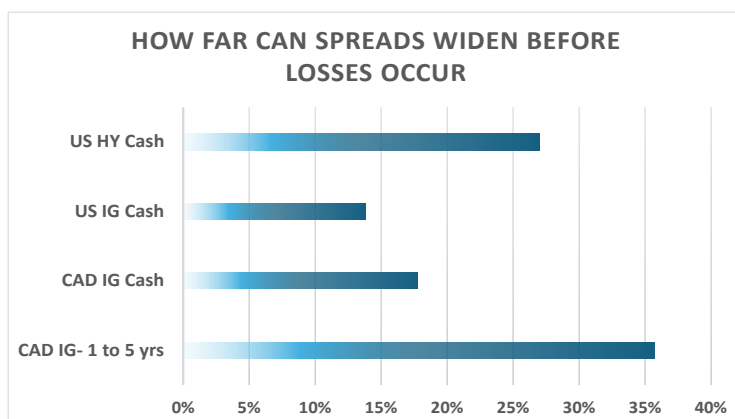


We believe that this analysis is one of the ways to determine value within the fixed income and credit investing universe.

Another way to analyze credit spreads is to consider how much they would have to move wider before they produce a loss. This is often referred to as a breakeven level, which frames downside protection. With high i) absolute and ii) relative breakevens, the 1-5yr CAD IG index offers the largest margin of safety for potential adverse circumstances.

The breakeven level for the YTM Capital OM Credit Fund is in fact larger than what the indices to the right display, offering even more protection, and multiples more protection than Canadian fixed income.

What all of this means is, if credit spreads stay tight or tighten further, the 1-5yr Canadian spreads have more room to tighten from here than other spreads do. Alternatively, should spreads widen from here, likely in a relative value move or reflecting a new economic reality, the currently tighter Canadian, US and HY credit spreads are likely to move wider faster while the 1-5yr Canada spreads will benefit from their "cushion", as well as the fact that they are typically less volatile.



Short-term Canadian credit spreads are cheap on a relative value basis to other credit, and other asset classes.

YTM Capital focuses on the 1-5yr investment grade Canadian credit space for these reasons, among others. This short tenor space has enormous liquidity, with a deep buyer base. It is demonstrably less volatile, with safety benefits due to its short term-to-maturity. It benefits from a natural "pull-to-par" bond phenomenon and typically appreciates as it moves from the long-term to short term buyer focus. YTM focuses on this exceptional asset class and hedges away the volatile interest rate exposure.

Next you might ask about the potential for credit spreads to widen in 2024 as related to the merits of an investment in a credit-focused fund. Good question.

In fact, we think it is quite possible. That is why we are currently focused on even shorter bonds, with even better liquidity, leaving our current risk levels slightly more than half of our long-term average and at a fraction of the exposure that we could have positioned in the portfolio today.

Our current focus is to tend to the compelling running yield mentioned above, potentially reduce risk further as our various signals direct us, and to eventually add exposure back to the portfolio at more compelling wider credit spreads - all likely within 2024.

We have been running this type of portfolio approach for decades, and in a world that offers little in the way of conviction, we propose that this is a strategy where you can invest with conviction, through market cycles.

We would be delighted to take you through the YTM strategy in complete detail.

Data as of March 12, 2024. US IG Cash = Bloomberg US Corporate Bond Index; US HY Cash = Bloomberg US Corporate High Yield Bond Index; CAD IG Cash = Bloomberg Canada Aggregate Corporate Total Return Index; CAD IG 1 – 5 Years Bloomberg Canada Aggregate - Corporate 1-5 Years (all Option Adjusted Spread Indexes) Investors should read the Offering Memorandum for YTM Capital Credit Opportunities Fund before investing. Running Yield is the net income earned by a Fund during the next 12 months assuming that the current portfolio and spreads (i.e. bond values) are static, before fees and expenses are deducted. You can obtain the OM from YTM Capital Asset Management Ltd. www.ytmcapital.com

