

# 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 the ability to neutralize interest rate risk



## Uncorrelated

Compelling fixed-income alternative

## Net Performance

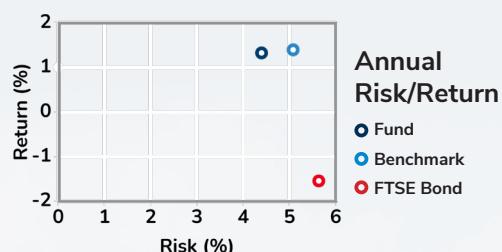
	1 month	1 year	S.I.
Fund	-0.95%	-2.60%	1.32%
Benchmark	-0.19%	-0.12%	1.39%
FTSE Bond	-3.49%	-7.90%	-1.55%



## Risk

LOW	MEDIUM	HIGH
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CR01 as a percent of NAV	0.11%	Months Positive	71%
Average Weighted Maturity	3.1 years	Best Month	2.13%
Modified Duration	-0.06	Worst Month	-6.11%
Annualized Standard Deviation	4.4%	Maximum Drawdown	-6.52%
Sharpe Ratio	0.17	Upside Capture - FTSE Bond	43%
Correlation to FTSE Bond	0.39	Downside Capture - FTSE Bond	19%



## Portfolio Manager Commentary

Daniel Child CA, CPA, CFA

Karl Burnham CFA, MBA

April was a challenging month for all risk assets as a variety of headwinds buffeted markets. Labour shortages, supply chain issues, and the Ukraine war stoked inflation. Inflation drove rate volatility and both decreased investor confidence and increased talk of a pending recession caused by central banks. This turmoil resulted in the fourth consecutive monthly loss for the FTSE Canada Universe Bond Index.

The good news is that every cloud has a silver lining. At 4.29% the bond index yield is the highest since 2009. It is also worth highlighting that bond yields are attractive compared to equity yields. The Bond index yield is higher than the TSX dividend yield, with the largest gap since the Great Financial Crisis. While corporate spreads are not similarly the widest since the GFC, spreads are significantly wider than historical averages. These elevated yields are creating demand. For example, liability-driven investors dove into the long end of corporates and selectively bought other maturities towards the end of the month. Whether these green shoots grow into a forest in the form of more widespread demand is yet to be seen.

The new issue market was, not surprisingly, quiet with the backdrop of equity and interest market volatility, mixed fund flows, and cautious investors. Volumes were 64% of the ten year average albeit after a record breaking March.

On the topic of a recession, it is worth highlighting a Federal Reserve Bank of Cleveland study that demonstrates a very low and decreasing chance of a recession. Our base case agrees with the Fed study and there are many other indicators that point to a low probability of a recession in 2022 or 2023. Risk in the Fund was largely unchanged during the month, as we remain positive on economic and issuer fundamentals relative to current spreads. We continually review our base case and will reposition the Fund as necessary if our view changes.

# Portfolio Managers



## Seasoned

More than 50 combined years of portfolio management and fixed-income trading experience



## Accomplished

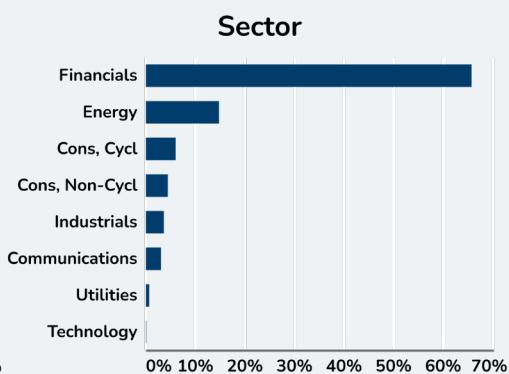
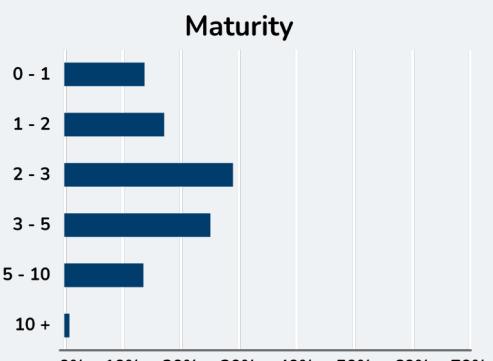
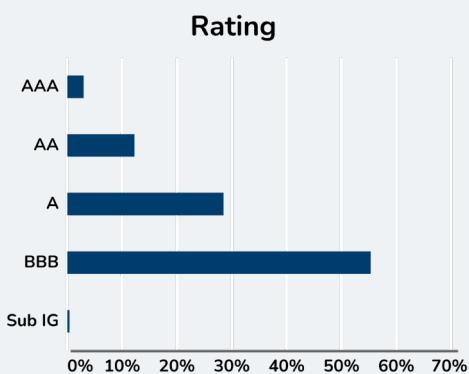
Former Head Corporate Traders at major Canadian dealers responsible for billions of at-risk capital



## 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
2022	-0.35	-1.57	-0.14	-0.95									-2.97
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	Quarterly
Management fee	1.90% (A) 0.90% (F)	Registered Plans	Yes
Performance fee	15%, high watermark	fundserv	YTM401 (A) YTM405 (F)
Auditor	PwC LLP	Fund Administrator	SGGG Fund Services Inc.

## YTM Capital

YTM is a credit fund manager established in 2010. We have more than \$450 million in assets under management and are based in Oakville, Ontario.

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\* June 24 - 30, 2019. **Benchmark** = investment grade return less Government of Canada return, each of the FTSE Bond. **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](http://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. [www.ytmcapital.com](http://www.ytmcapital.com)