

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

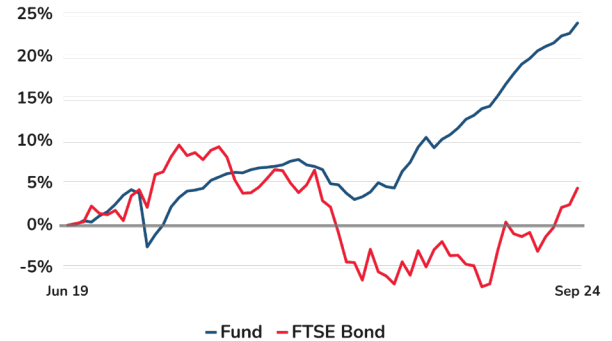


Uncorrelated

Compelling fixed-income alternative

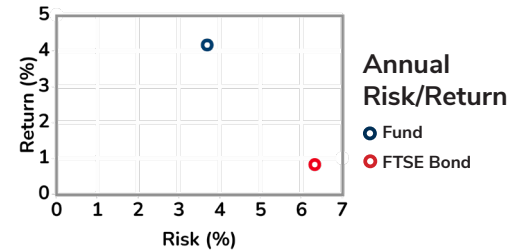
Net Performance

	1 month	1 year	3 year	5 year	S.I.
Fund	1.00%	8.91%	4.98%	4.16%	4.16%
FTSE Bond	1.90%	12.60%	-0.19%	0.58%	0.82%



Risk

LOW	MEDIUM	HIGH	
CR01 as a percent of NAV	0.062%	Months Positive	78%
Average Weighted Maturity	1.8 years	Best Month	2.13%
Modified Duration	0.24	Worst Month	-6.11%
Annualized Standard Deviation	3.7%	Maximum Drawdown	-6.52%
Sharpe Ratio	0.51	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

August volatility and uncertainty was swept away by Autumn winds in the form of a Federal Reserve 50 basis points (bps) cut that was larger than expected. Risk markets rallied strongly in response. Canadian IG credit tightened 9 bps and outperformed US IG markets by 5 bps. This outperformance is explained in large part by the fact Canadian markets lagged their American counterparts for most of the year.

The Fed cut opens the door for the Bank of Canada to cut more aggressively, especially if the job market softens in a material way. With some employment cracks already developing, the market is pricing a 50% chance of a 50 bps cut with more data to come before the October 23rd meeting. If a 50 bps cut is pre-emptive, meaning the cut in rates is intended to normalize rates sooner, Canadian IG should continue to rally. On the other hand, a cut triggered by a recession would be bearish for risk assets. We continue to believe that a recession in Canada is likely but, with early and frequent cuts by BoC, the expected depth of any recession diminishes in severity.

We took this aggressive Fed cut as an opportunity to increase risk in the Fund by approximately 20%. Our next move on risk will be a function of the way jobs data and rate cuts evolve. Our expectation is that any spread widening will be orderly and will present a buying opportunity to put some of our considerable dry powder to work.

Primary market issuance is 35% ahead of last year, despite a slowing in September that came in below the ten year monthly average. This cooling is expected for Q4, absent a significant drop in absolute yields that could attract issuers to the market. That said, rates do not have much more room to rally based on an expected neutral (overnight) rate of 3%. With the curve now needing to be positively sloped, 5 yr bonds at 2.75% and 10 yr bonds at 3% seem too low if anything. This lower supply combined with robust demand for corporate bonds provides a solid technical underpinning. Middle East tension is the one wild card casting a shadow over the market. While the market seems somewhat immune, that immunity would be undercut by any meaningful spread in terms of geography or the nations involved.



Portfolio Managers



Seasoned

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



Accomplished

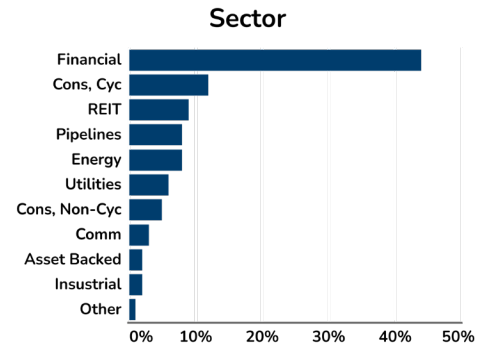
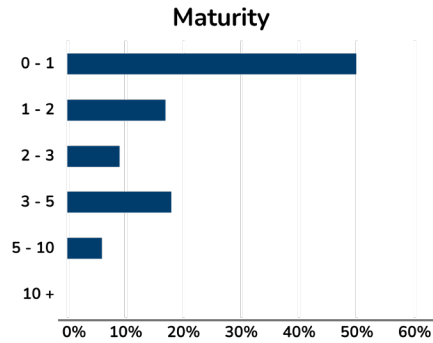
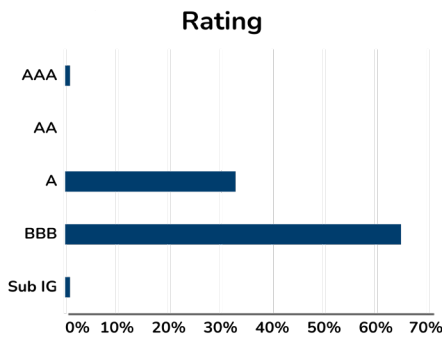
Head Corporate Trader and Director at major Canadian dealers responsible for billions of at-risk capital



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	0.32	0.71	0.23	1.00				6.20
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/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. We have more than \$700 million in assets under management and are based in Oakville, Ontario.

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As of SEPTEMBER 30, 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