

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

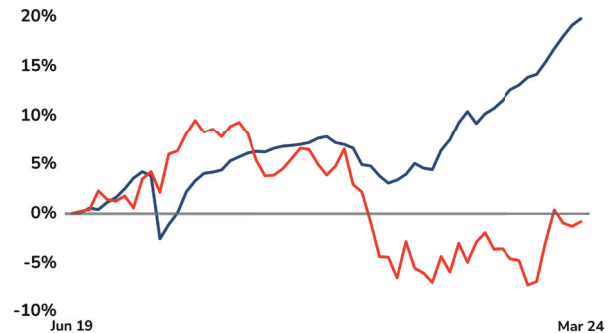


Uncorrelated

Compelling fixed-income alternative

Net Performance

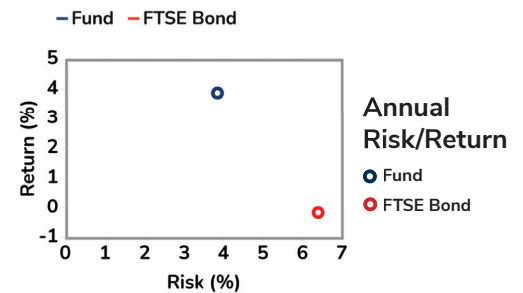
	1 month	1 year	3 year	S.I.
Fund	0.50%	9.69%	4.08%	3.86%
FTSE Bond	0.49%	2.09%	-1.51%	-0.18%



Risk

LOW	MEDIUM	HIGH
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CR01 as a percent of NAV	0.054%	Months Positive	76%
Average Weighted Maturity	1.8 years	Best Month	2.13%
Modified Duration	-0.01	Worst Month	-6.11%
Annualized Standard Deviation	3.8%	Maximum Drawdown	-6.52%
Sharpe Ratio	0.47	Upside Capture - FTSE Bond	39
Correlation to FTSE Bond	0.30	Downside Capture - FTSE Bond	-5



Portfolio Manager Commentary

Daniel Child CA, CPA, CFA

Edward Winiarz CFA

March saw the end of the significant tightening of credit spreads that has persisted over the last four months. The Canadian market was wider by a relatively small one basis point. The widening was at least partially due to the large new issuance calendar clocking in at over \$12 billion for the month. March was the third straight month of at least \$11 billion and puts the year to date total 60% higher than 2023. For comparison, the US market is only 26% ahead of last year. Bank issuance was notable in an absolute sense, since it goes against the recent trend of issuing in foreign markets that offer cheaper funding, but also in structure. We saw NVCC sub-debt for the first time in a while and a pair of 3NC2 structures that are rare, but we find particularly attractive in a fixed-to-floating format.

There are strong, fact-based arguments supporting both no 2024 recession, as well as a recession hitting later in 2024. This conflicting evidence has increased the risk of disappointing returns in traditional/long-only fixed income funds, as volatility in the rates market remains. We have been vocal about this issue since the rate rally started in the latter part of 2023. Regardless of one's view on escaping a recession, or the severity of it the important expectation is our continuing belief that rates will stay higher for longer. We finally saw a capitulation in the rates market as economic numbers, particularly non-farm payrolls, came in stronger than expected. These results changed the view of proponents that expected rate cuts coming in Q1 and early Q2. The market is now pricing the odds of a Fed rate cut in June at less than 50%, down from 100% earlier in March.

With our view unchanged on rates and the greater probability of a shallow recession than no recession, we continue to run risk levels that are 50%-60% of our historical average and prioritize short maturity, high quality liquid bonds. This positioning will allow us to redeploy capital at more attractive levels in the future. Canadian IG credit remains cheap to both \$US credit and the credit default market, and more importantly, financials and short maturity bonds are cheaper than the broader \$C IG market and are both sectors we favour.



Portfolio Managers



Seasoned

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



Accomplished

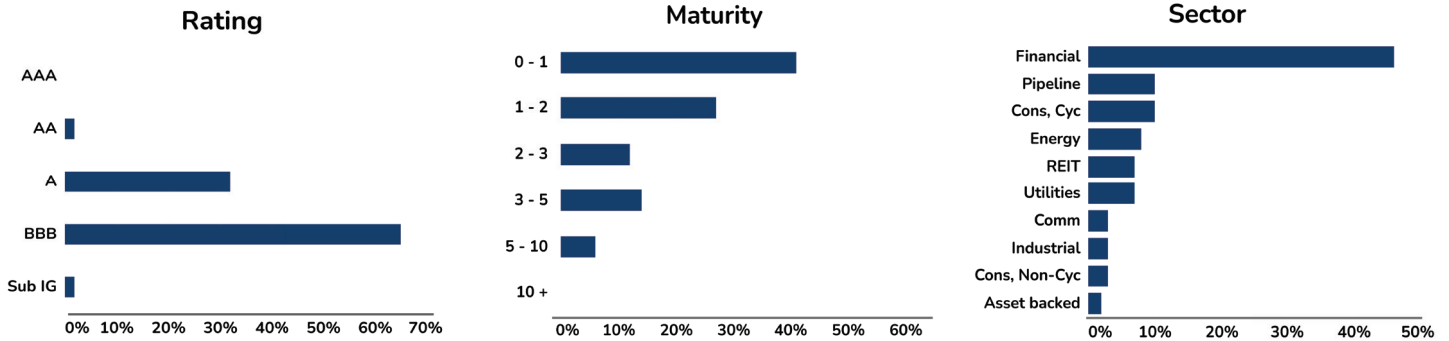
Head Corporate Trader and Director at major Canadian dealers responsible for billions of at-risk capital



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										2.60
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.

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As of MARCH 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

