

YTM Capital Credit Opportunities Fund



Strategy

Long / short hedge fund delivering Canadian investment grade credit exposure



Target

Long-term net returns of 6% - 8% with low volatility



Portfolio

Short maturity investment grade credit with neutralized interest rate risk

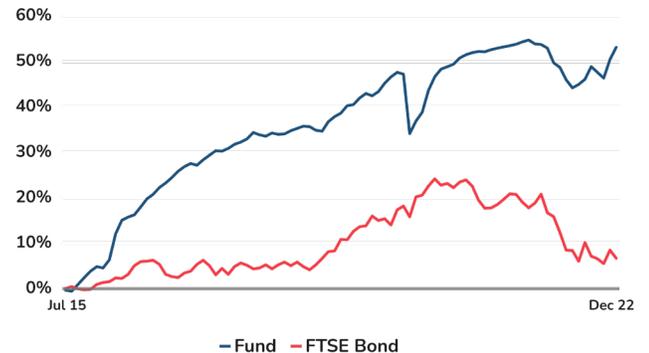


Uncorrelated

Compelling fixed-income alternative

Net Performance

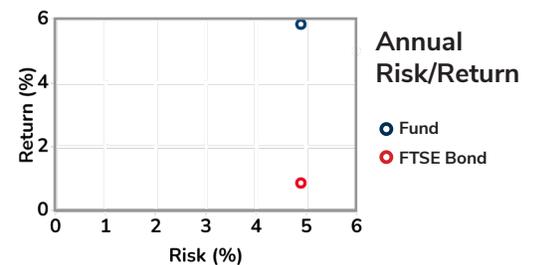
	1 month	1 year	3 year	5 year	S.I.
Fund	1.79%	-0.40%	1.46%	2.87%	5.84%
FTSE Bond	-1.65%	-11.69%	-2.19%	0.28%	0.86%



Risk

LOW	MEDIUM	HIGH
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CR01 as a percent of NAV	0.10%	Months Positive	73%
Average Weighted Maturity	1.9 years	Best Month	5.33%
Modified Duration	0.48	Worst Month	-8.89%
Annualized Standard Deviation	4.9%	Maximum Drawdown	-9.18%
Sharpe Ratio	0.98	Upside Capture - FTSE Bond	65%
Correlation to FTSE Bond	0.27	Downside Capture - FTSE Bond	-16%



Portfolio Manager Commentary

Daniel Child CA, CPA, CFA

Karl Burnham CFA, MBA

Edward Winiarz CFA

Canadian credit posted another constructive month with the market tightening 3 bps. Credit outperformed most risk assets in December. A hawkish dot plot from the Fed (moved up substantially from September, with 17 of 19 members penciling in a 2023 Fed Funds Rate projection of 5.125% or greater) led to a selloff in rate-sensitive risk assets such as companies listed on the NASDAQ (-8.7% decline for the month). In the primary market we saw \$8.1 billion of new issuance, well above the 10-year December average of \$5.6 billion. The vast majority was in the financials space with deals from RY, HSBC, BMO, CWB and TD. Despite the heavy supply, the deals were well subscribed and performed, supporting the attractiveness of valuations at these levels.

The Fund's almost-flat return for 2022 stands up well to the Canadian credit market (Bloomberg Aggregate Corporate 1 – 5 years, OAS) where spreads widened by 88% from the start to finish of 2022 as well as the long-only Canadian corporate market (Bloomberg Aggregate Corporate) that closed the year at -9.70% (-8.88% coming from rates and -0.82% coming from credit).

We remain cautiously constructive on credit valuations heading into the first half of 2023, and have kept some powder dry, looking to redeploy capital in the primary market during a seasonally busy time for supply at the start of the year. We expect spreads to begin the year well-bid as the market reacts favorably to any indications that inflation continues to slow and interprets more favorable data as warranting a Fed policy pivot. However, the picture is likely to get more complicated as the year progresses. It is possible that spreads could widen as optimism for a Fed pivot fades and the economy slows, prompting recession concerns and a re-focus on traditional drivers of spreads. Spread direction in 2023 will be a function of whether the Fed is able to return inflation to near its 2% target without triggering a recession or if consumer and corporate balance sheets worsen materially amidst tighter monetary policy.

For long-term minded investors, the risk/reward proposition is attractive. Our base case is that much of the negative macro narrative has been priced into spreads at current valuations, and with corporate balance sheets in a much stronger position now than in the run-up to previous recessions, a slowing economy should not necessitate a severe widening in credit. The cyclical peak in credit spreads is likely to fall below peaks of previous recessions. If we are right in our outlook, then starting valuations approximately 40% above long-term averages and a +12% starting running yield, provides investors with compelling forward return prospects.



Portfolio Managers



Seasoned

More than 70 combined years of portfolio management and fixed-income experience



Accomplished

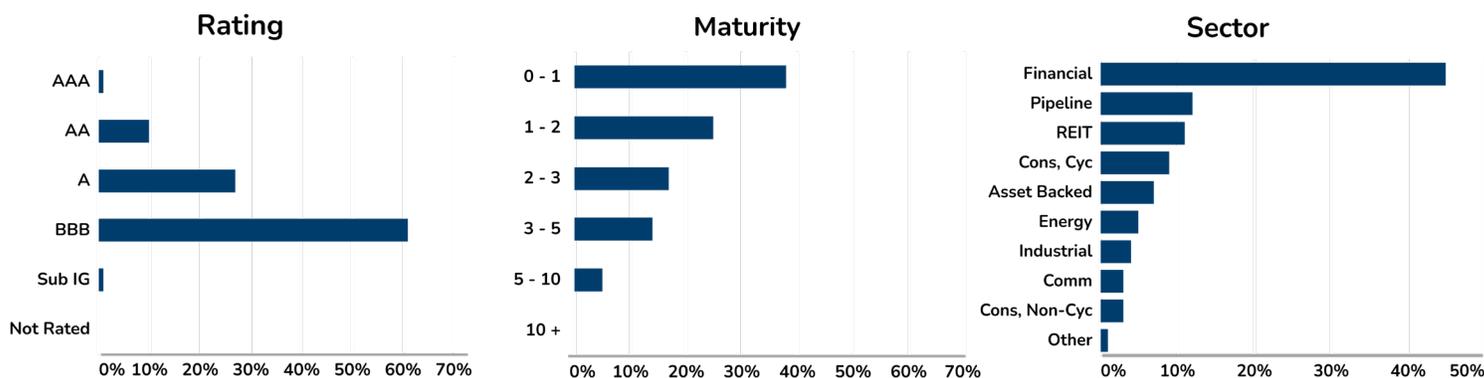
Former Head Corporate Traders at major Canadian dealers responsible for billions of at-risk capital



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	-0.54	-2.09	-0.68	-1.83	-1.22	0.52	0.78	1.91	-0.85	-0.85	2.80	1.79	-0.40
2021	0.30	0.18	-0.05	0.29	0.22	0.18	0.18	0.20	0.34	0.27	-0.55	-0.09	1.48
2020	0.69	-0.29	-8.89	2.07	1.43	3.47	2.08	1.14	0.36	0.38	0.92	0.47	3.33
2019	1.55	0.82	0.55	1.18	0.17	1.04	0.69	-0.36	0.66	0.42	0.87	0.95	8.86
2018	1.06	-0.37	-0.23	0.53	-0.16	0.07	0.47	0.38	0.39	-0.09	-0.58	-0.16	1.32
2017	1.14	0.84	0.52	-0.28	0.94	0.77	0.74	-0.09	0.44	0.73	0.41	0.46	6.82
2016	-0.30	1.74	5.33	2.66	0.64	0.38	1.50	1.54	0.84	1.25	0.79	0.94	18.62
2015							-0.43	-0.13	1.52	1.44	1.41	0.96	4.84

Fund Details

Transactions	Monthly	Distributions	Monthly (TA,TF) Quarterly (A,F)
Redemptions	30 days notice	Reg Plans	Yes
Management fee	2.00% (A, TA) 1.50% (F, TF)	fundserv	YTM500 (A) YTM530 (TA) YTM510 (F) YTM540 (TF)
Performance fee	15%, Highwater Mark		

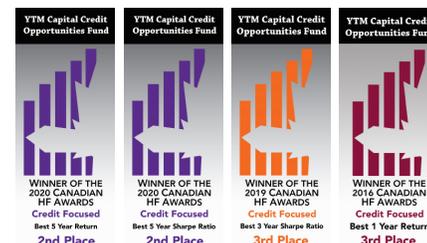
YTM Capital

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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As of DECEMBER 31, 2022. FTSE Bond = FTSE Canada Universe Bond Index. CR01 measures the impact on a Fund's value by a 1 basis point change in credit spreads. Sharpe Ratio is calculated using a 3 month GOC T-Bill as the risk free rate. Drawdown represents the percentage loss for the Fund from peak to trough. In risk/return chart, risk is represented by standard deviation since inception ("SI" = July 1, 2015) and returns are SI. The Canadian Hedge Fund Awards are administered by Alternative IQ. The awards are based on a quantitative measure of a fund's performance in the Credit Focused category. Of the 33 funds considered, the Fund had the 3rd highest return for the year ending June 30, 2016. Of the 27 funds considered, the Fund had the 3rd highest Sharpe ratio for the 3 years ending June 30, 2019. Of the 18 funds considered, the Fund had the 2nd highest Sharpe ratio and 2nd highest return for the 5 years ending June 30, 2020. This document is for information only and is not intended to solicit orders for the Fund. Investors should read the Offering Memorandum (OM), including the risk section before investing. You can obtain the OM from YTM Capital Asset Management Ltd. 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, Initial Series, distributions reinvested, and the SI figure is annualized. Rating and maturity information exclude cash and GOC 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

