

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

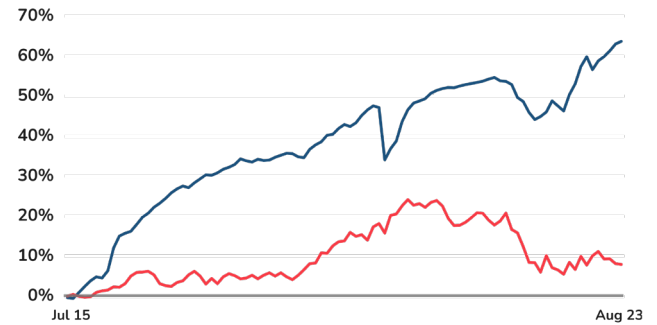


Uncorrelated

Compelling fixed-income alternative

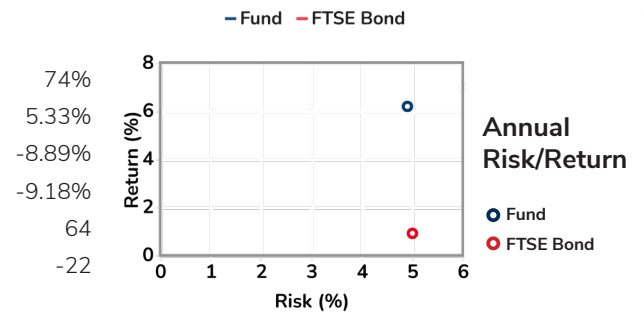
Net Performance

	1 month	1 year	3 year	5 year	S.I.
Fund	0.41%	10.01%	3.36%	3.90%	6.22%
FTSE Bond	-0.18%	0.76%	-4.19%	0.55%	0.94%



Risk

LOW	MEDIUM	HIGH
CR01 as a percent of NAV	0.05%	Months Positive
Average Weighted Maturity	1.8 years	Best Month
Modified Duration	0.49	Worst Month
Annualized Standard Deviation	4.9%	Maximum Drawdown
Sharpe Ratio	1.00	Upside Capture - FTSE Bond
Correlation to FTSE Bond	0.24	Downside Capture - FTSE Bond



Portfolio Manager Commentary

Daniel Child CA, CPA, CFA

Edward Winiarz CFA

August trading volumes moderated and new issuance barely exceeded \$5 billion, in line with the 10-year monthly average. This new issuance brought YTD total volume to \$64.2 billion, down 19% compared to the previous year, helping to keep spreads relatively stable. The lack of significant corporate news and subdued volatility, despite conflicting economic signals, contributed to the Bloomberg Canadian Investment Grade (CAD IG) Credit index trading within a narrow 6 basis point range throughout the month, closing at +148, up 6 basis points from the end of July. Although August ended with spreads at their widest point for the month, the range for the CAD IG Credit index remains relatively tight for the year, ranging from 141 to 171, thanks to strong fund flows into fixed income. This tight spread range contrasts with the index's yield, which is closer to 2023 highs at 5.54%, due to persistent economic strength and hawkish rhetoric.

Given the absence of clear bullish catalysts for risk assets and early signs of deteriorating economic fundamentals – for example, S&P raised its 12-month default rate outlook to 4.5% from 3.2% in June, mainly due to low-rated issuers struggling with higher debt servicing costs – some investors are concerned about a retesting of crisis-era spread levels. This potential retesting would imply 25-45 basis points of CAD IG index OAS widening from current levels, assuming the index hits prior risk-off peaks (excluding COVID-19). We have long articulated that a moderate widening is likely as we judge that IG spreads have priced in most, if not all, of a soft landing. An extreme widening is considered unlikely, with some commentators expecting the US to avoid a recession altogether.

In this context, CAD IG Credit appears attractive compared to US IG Credit, given historical patterns in a tightening environment. So, if credit spreads do widen, CAD IG could be a good place for investors to seek refuge on a relative basis. To that end our position in \$US BMO bonds finally came back into line with \$C bank (as the issuer called the US bonds as expected) paper netting a nice return for our Funds. We entered the trade when \$US spreads widened out on the fear the bank would not call lines of sub-debt issuance during the regional banking crisis. We put on the trade at a spread that was three times greater than bonds were trading in our domestic market. This trade, as well as strong carry and new issue performance helped the Fund outperform the CAD IG index during the month. We continue to scour the market for these relative value anomalies. If we are right about moderate spread widening later in the year, the Fund's strong running yield will help cushion losses in value and more relative value opportunities are likely to materialize.

Portfolio Managers



Seasoned

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



Accomplished

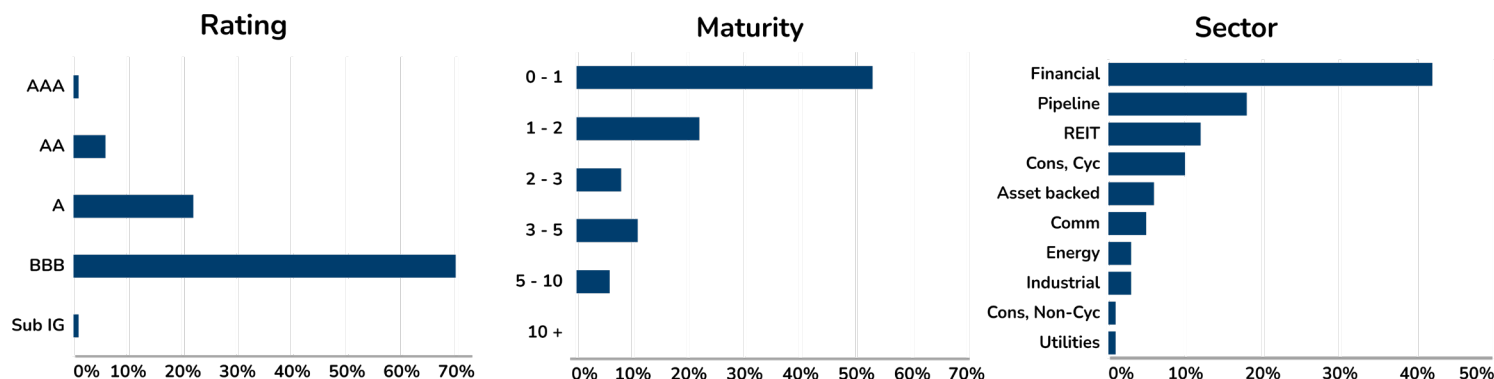
Head Corporate Trader and Director at major Canadian dealers responsible for billions of at-risk capital



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
2023	2.84	1.55	-2.03	1.41	0.67	0.89	1.07	0.41					6.94
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 (5%/yr target; 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		

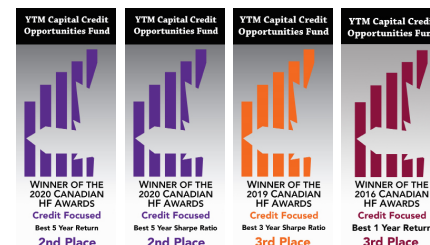
YTM Capital

YTM is a credit fund manager established in 2010. We have more than \$500 million in assets under management and are based in Oakville, Ontario.

Kevin Foley
kevin.foley@ytmcapital.com

Gianni Markou
gianni.markou@ytmcapital.com

Art Sanchez
art.sanchez@ytmcapital.com



As of AUGUST 31, 2023. 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

