

Credit Liquid Alternatives:

Dynamic Credit Absolute Return Fund

Dynamic Credit Opportunities Fund

July 2025 Commentary

Highlights

North American credit markets extended their rally in July. Investment Grade and High Yield markets both benefited from steady demand and limited supply, with refinancing flows picking up as confidence around a prolonged fed pause took hold. Macro resilience, particularly in the US, kept volatility contained, even as political uncertainty and mixed inflation signals remained in focus.

The Team modestly reduced risk during the month. At these levels, spread compression offers little incremental compensation, especially in longer dated or lower quality credit. Credit selection is more important now than broad exposure. While technical remain supportive, the Team is prioritizing capital preservation and credit selection. This is an environment that rewards discipline, not complacency.

Dynamic Credit Absolute Return Fund (DCARF)

The Dynamic Credit Absolute Return Fund (DCARF) returned 0.67% in July. The Fund's performance was supported by firm credit conditions and muted primary issuance. Demand for yield remains strong, but with spreads back to the tights, we saw better risk-adjusted value in trimming some positions rather than adding new ones.

In July, we exited the Fund's remaining CDX Investment Grade protection and reduced exposure to US corporate bonds. To offset this risk, the Fund reallocated from 5-year into 3-year Investment Grade bonds, taking advantage of flat curves and spread levels. The adjustment is reducing potential drawdown risk in our opinion, with only a modest impact on Fund's income. The Fund also increased exposure to short-duration, yield-to-call high yield bonds issued by well-capitalized borrowers, aiming to preserve carry while reducing drawdown sensitivity. We continue to avoid credit where valuations fully reflect best-case outcomes.

Key Stats	Q4-23	Q2-24	Q4-24	Q2-25	07-25
Credit Risk Duration	-2.49	-2.71	-4.08	+5.3	+5.28
Interest Rate Duration	+0.03	+0.64	+0.67	+1.99	+1.88
Yield To Maturity (YTM)*	6.40%	5.74%	4.35%	5.11%	5.03%

Source: 1832 Asset Management L.P. as of 07/31/2025. *YTM before cost of borrow.

Dynamic Credit Opportunities Fund (DCOF)

Dynamic Credit Opportunities Fund (DCOF) returned 0.81% in July. North American high-yield markets in July reflected a fully recovered risk appetite after volatility earlier in the year, aided by expectations that the Federal Reserve and Bank of Canada might soon begin easing policy rates. This environment has buoyed returns in high-yield and supported robust demand for credit. However, with potential risks including persistent inflation, future economic softness, and geopolitical uncertainty, active risk management remains essential, and we used the market strength to monetize several positions that exhibited limited further upside.

During the month, we initiated a position in Obsidian Energy's 11.95% 2027 bonds. These bonds, thanks to their substantial coupon and near-term maturity, provide what we refer to as "nuisance value"; the high cost encourages management to refinance the bonds to lower Obsidian's overall cost of capital. This scenario is reinforced by Obsidian's ample liquidity, which includes a sizable stake in InPlay Oil. Notably, towards the end of July, Obsidian entered into negotiations to sell this InPlay Oil position, directly enhancing its cash resources and further solidifying confidence in its fiscal strength and capacity to manage its balance sheet and debt obligations efficiently.

With credit spreads trading to historically tight levels, protection against a market reversal became a prudent focus. The Fund implemented several HYG put spread structures to provide a hedge in case of a "risk-off" event. The rally in credit markets this month offered an opportune time to establish these structures, making their payoff profile especially attractive as insurance. When paired with the Fund's allocation to CDX HY swaps (at 14% of assets under management during the month), these strategically layered hedges deliver another dimension of downside protection without significantly diluting the Fund's income generation potential. Following month end, we increased the Fund's allocation to CDX HY swaps to 25% of AUM to further protect capital.

Overall, the Fund's approach continues to produce an above-average yield compared to most other credit asset classes, offering a compelling balance between income and risk management. The current high-conviction positions within the Fund's portfolio are designed to be less volatile than a generic high-yield allocation, highlighting careful risk calibration.

Key Stats	Q4-23	Q2-24	Q4-24	Q2-25	07-25
Credit Risk Duration	+1.69	+2.09	+3.06	+2.70	+2.21
Interest Rate Duration	+2.85	+3.28	+4.67	+3.47	+3.36
Yield To Maturity (YTM)	6.82%	6.35%	6.69%	6.27%	6.09%

Source: 1832 Asset Management L.P. as of 07/31/2025. *YTM before cost of borrow.

Market Outlook

At current spread levels, the opportunity set has narrowed, not because risk has increased but because compensation for bearing the risk has compressed. Credit markets often rally on macro stability and strong technicals, but the structure of the asset class does not change, exposing bond holders to greater downside. We are being paid to underwrite issuer performance, not to lean into beta. When spreads grind to the tights, holding risk becomes a higher-conviction decision.

In this environment, discipline means precision. The edge isn't in chasing another 10 basis points of spread but rather avoiding credits where fundamentals deteriorate quietly. We are not positioning for breakout winners but focusing on staying out of the wrong names to prioritize capital preservation. This is not a call for defensiveness but a call for underwriting discipline, security selection and staying patient until the risk-reward resets.

Thank you for your interest and support,

The Dynamic Specialized Credit Team

Compounded Returns net of fees (%) as of July 31, 2025

Dynamic Credit Absolute Return Fund

	1 month	3 months	6 months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception*
Series A	0.65	2.83	3.88	3.87	5.82	5.43	4.07	3.68	4.01
Series F	0.67	3.03	4.37	4.45	6.65	6.37	5.05	4.72	5.05

Dynamic Credit Opportunities Fund

	1 month	3 months	6 months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception
Series A	0.84	3.63	3.12	4.20	5.00	-	-	-	7.41
Series F	0.81	3.80	3.57	4.75	5.87	-	-	-	8.32

Source: 1832 Asset Management L.P. as of July 31, 2025. *Performance from January 2, 2014, to August 1, 2019 is that of the Dynamic Credit Absolute Return I Fund which was distributed pursuant to an exemption from the prospectus requirement. Performance from August 2, 2019 to November 17, 2023 is that of Dynamic Credit Absolute Return II Fund which was qualified under a simplified prospectus., inception date for DCOF: 09/25/2023.

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Commissions, trailing commissions, management fees and expenses all may be associated with mutual funds, including ETFs. Please read the prospectus before investing. The indicated rates of return are the historical annual compound total returns including changes in unit values and reinvestment of all distributions does not take into account sales, redemption or option charges or income taxes payable by any security holder that would have reduced returns. Mutual funds and ETFs are not guaranteed, their values change frequently and past performance may not be repeated.

Series A units are available for purchase to all investors, while Series F units are only available to investors who participate in eligible fee-based or wrap programs with their registered dealers. Differences in performance between these series are primarily due to differences in management fees and fixed administration fees. Performance results for Series F units may also appear higher than for Series A units as the management fee does not include the trailing commission.

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