



DYNAMIC
LIVE
IN CONVERSATION

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Invest with advice.



Stay Ahead of the Curve: Fixed Income Strategies for Uncertain Times

Marc-André Gaudreau, CPA, CGA, CFA
VP & Senior Portfolio Manager

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The Specialized Credit Team

Experience and access across the entire spectrum



Marc-André Gaudreau
CPA, CGA, CFA

VP & Senior
Portfolio Manager



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BComm., CFA

VP &
Portfolio Manager



Jeremy Lucas
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MSc., CFA, CAIA

Portfolio Manager



Evan Hughes
M.Econ., CFA

Portfolio Manager



Anita Hong
CFA, CMT

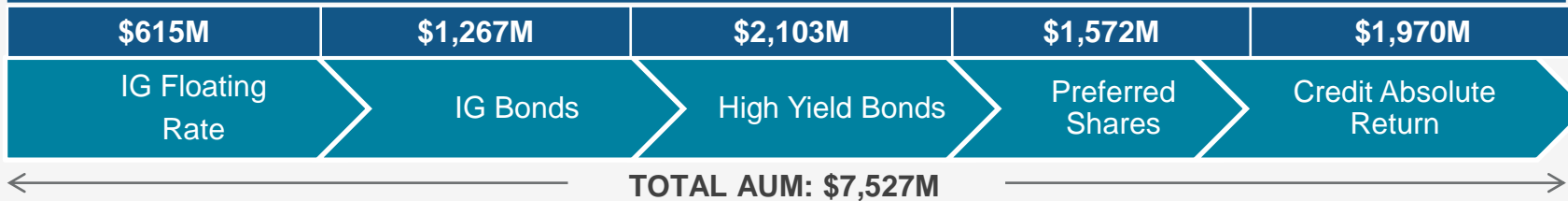
Associate
Portfolio Manager



Alexandre Mathieu
M.Sc., FRM

Senior Analyst

Industry	27 years	22 years	23 years	10 years	16 years	12 years	21 years
Firm	12 years	12 years	7 years	5 years	8 years	9 years	12 years

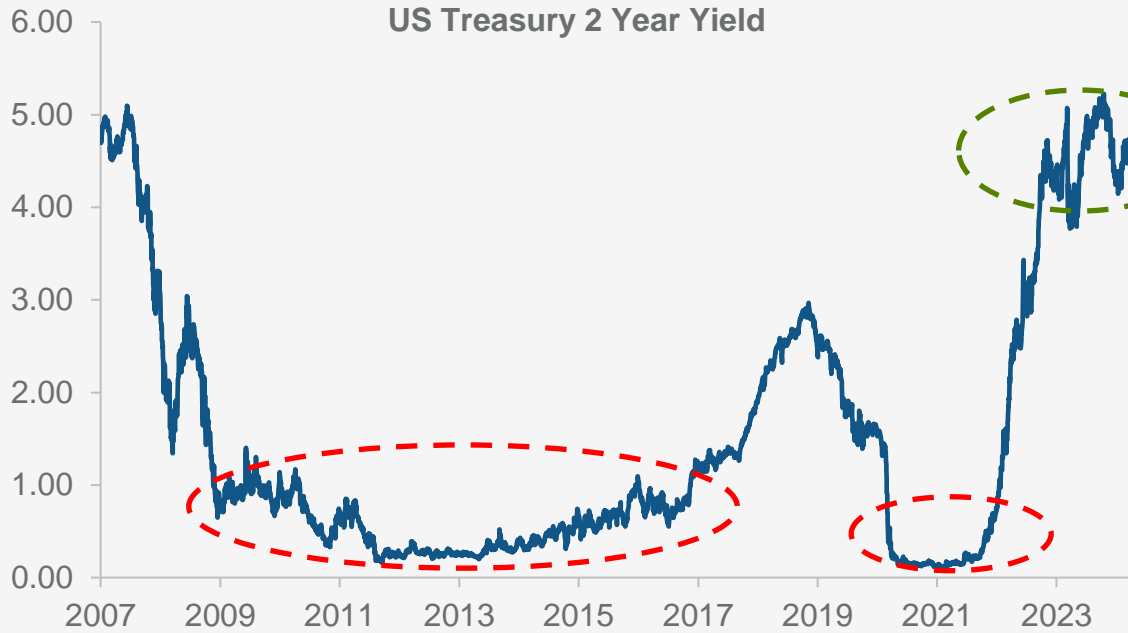


Source: 1832 Asset Management L.P. as of 05/31/2024.

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The World Has Changed

Big improvement in stakeholder alignment incentives



Higher Yields

- Bond Buybacks at a Discount
- Deleveraging Focus
- Disciplined Spending
- **Bondholder Friendly**

Lower Yields

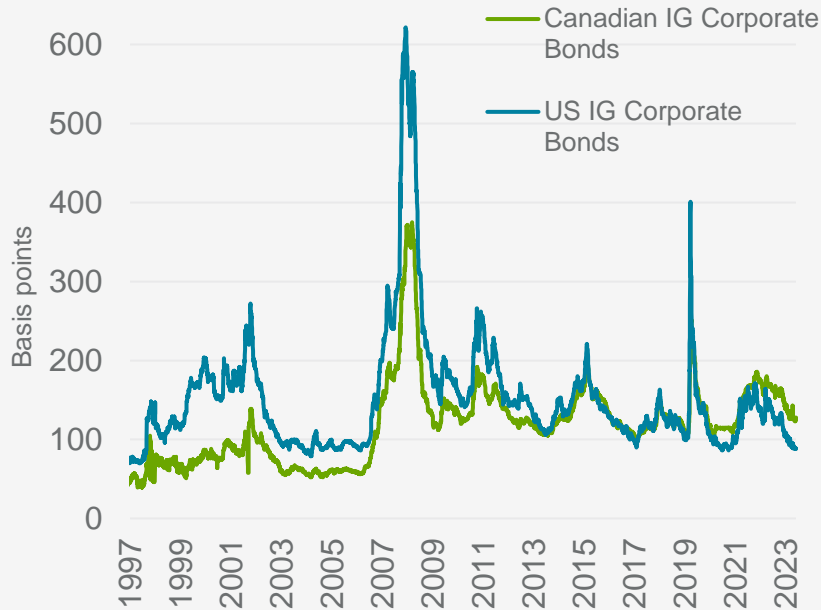
- Debt Funded Share Buybacks + Dividends
- Higher Leverage
- Risky Capex Spending
- **Shareholder Friendly**

Source: Bloomberg, 1832 Asset Management L.P. as of 05/31/2024.

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Credit Spreads Evolution

Passive investors are exposed to expensive valuations



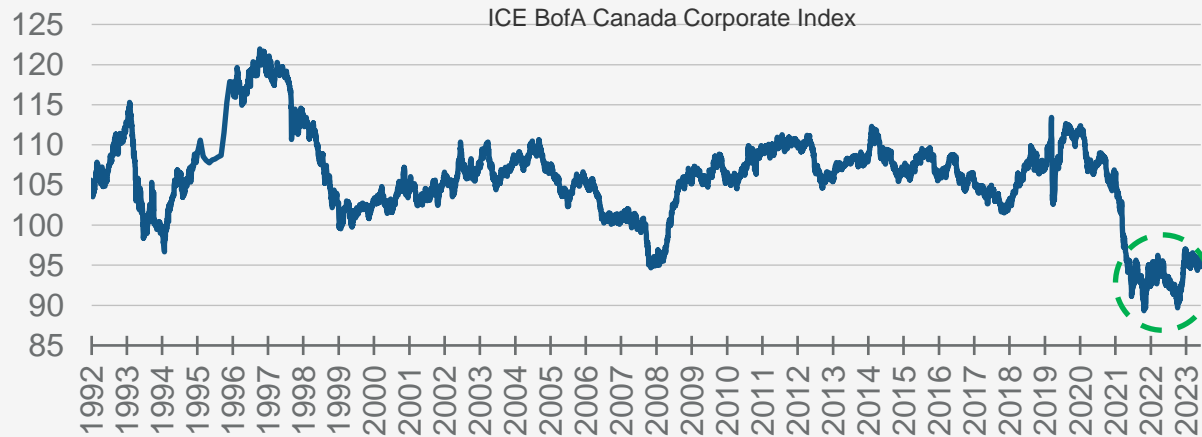
Source: Bloomberg, ICE BofAML Canada Corporate Index, ICE BofAML US Corporate Index and ICE BofA US High Yield Index in US dollars, period from 12/31/1997 to 05/31/2024.

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Discounted Price Bonds

Tax-advantaged return profiles driven by capital gains

- Low coupons + higher yielding environment = generational opportunity
- Discounts in the short-medium part of the curve are attractive
- Active managers can enhance tax attributes by focusing on the most discounted securities

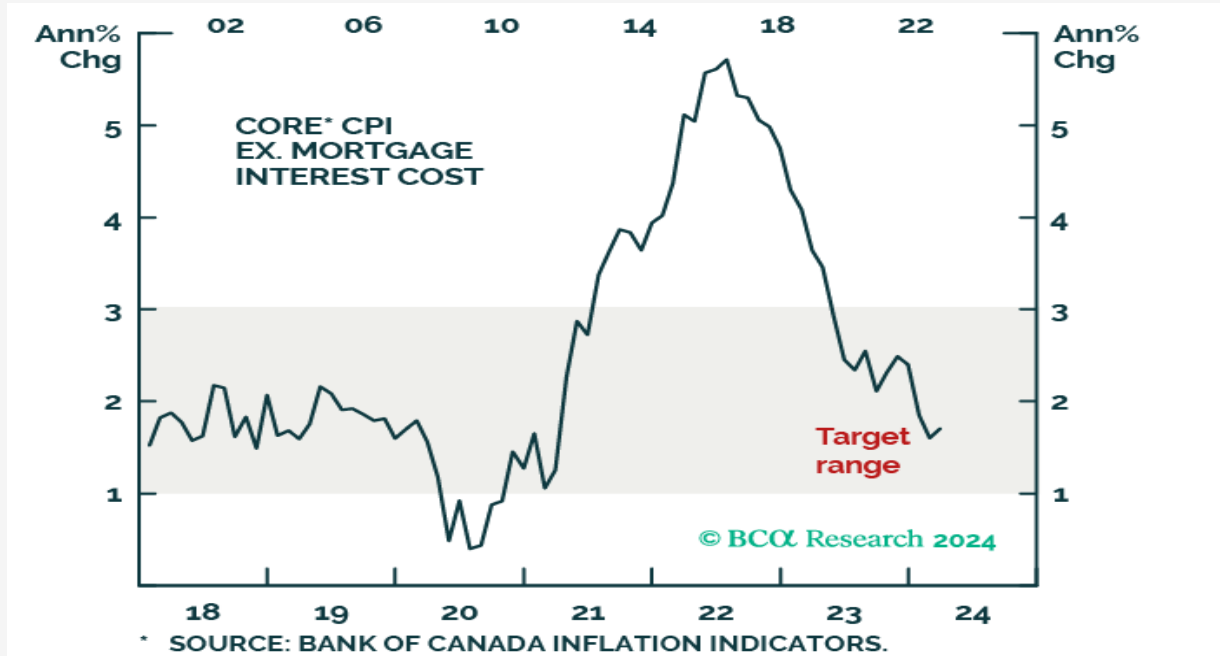


Source: Bloomberg, ICE BofAML Canada Corporate Index, from 12/31/1993 to 05/31/2024.

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Mortgage Mayhem

When Interest Costs Undermine the Bank of Canada's Target



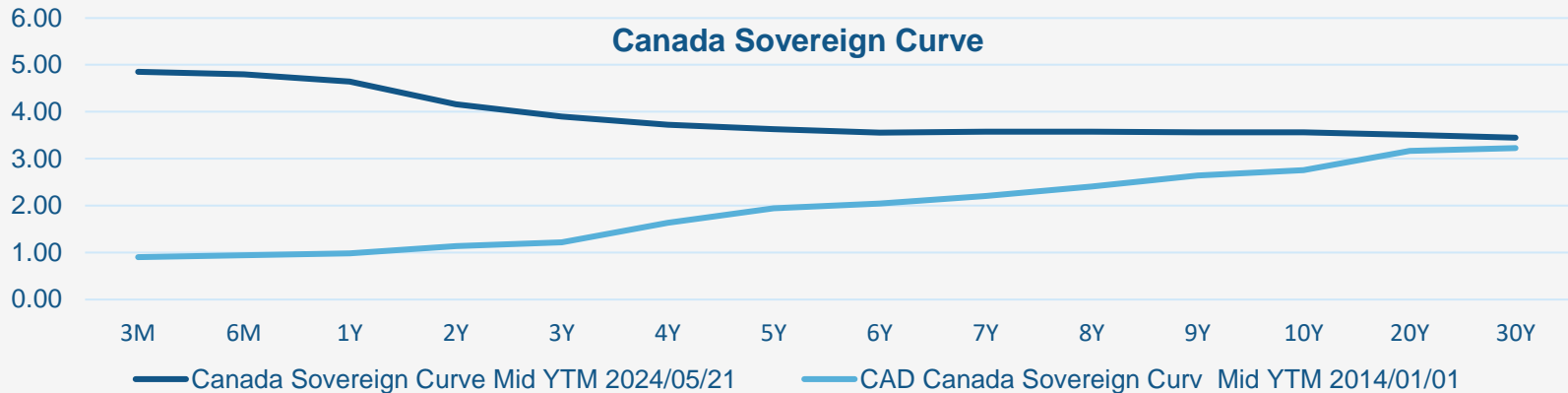
Source: BCA Research, April 2024.

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Dynamic Active Discount Bond ETF (DXDB)

Exploiting a tax-advantaged tailwind

- ✓ **Tax-Advantaged Strategy:** Return profile includes significant amount of capital gains
- ✓ **High Quality:** Targeting 3–7-year investment grade corporates trading at a discount
- ✓ **Value Added:** Active credit selection driven by fundamental credit analysis
- ✓ **Competitive Pricing:** 0.35% management fee



Source: 1832 Asset Management LP, Bloomberg

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Dynamic Active Discount Bond ETF(DXDB) Characteristics

Fixed Income Characteristics	
Yield to Maturity	4.82%
Average Coupon	3.21%
Duration	4.2 Years
Weighted Avg. Rating	A-
Weighted Avg. Price	\$93.22

\$93.22

DXDB Wtd Avg Price

Top 5 holdings	Price	Weight	YTM
Bank of Montreal 4.53%, 12/2028	\$99.24	7.3%	4.72%
Canada 0.50% 12/2030	\$82.14	7.2%	3.61%
Pembina 3.31% 02/2030	\$92.33	5.8%	4.87%
Goldman Sachs 2.01% 02/2029	\$90.61	5.3%	4.78%
Rogers 2.90% 12/2030	\$88.43	5.3%	5.00%

\$96.86

Benchmark Wtd Avg Price

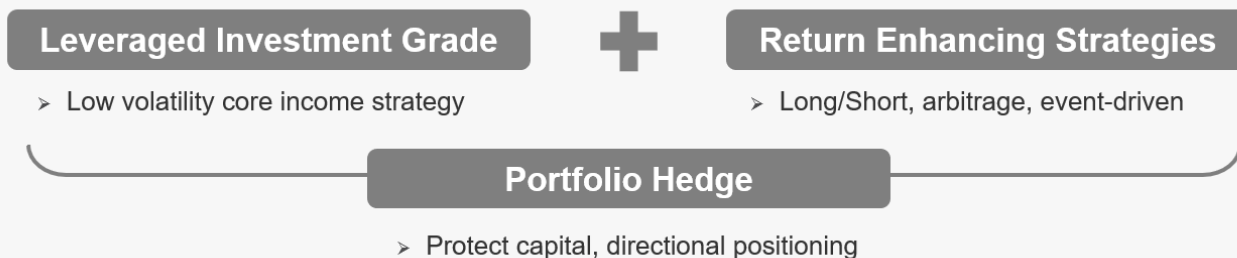
Source: Bloomberg, 1832 Asset Management L.P. as of 05/31/2024, Inception: Nov 07, 2022. Benchmark = 50% ICE BofA 3-5 Year Canada Corporate Index / 50% ICE BofA 5-7 Year Canada Corporate Index. **Holdings are subject to change and are not buy/sell recommendations**

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Dynamic Credit Absolute Return Fund

A flexible approach tailored to provide portfolio diversification

- Maximize absolute returns over a **complete market cycle**
- **Mitigate volatility and interest rate risk**
- **Low default risk** (Investment Grade Average Credit Rating)
- Provide **monthly variable distributions** based on net income earned*



*This fund series pays distributions at a variable rate. Accordingly, it is possible that the series may not pay a distribution in a given payment period. Distributions are not guaranteed and may be adjusted from time to time at the discretion of the fund manager.

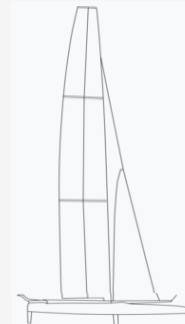
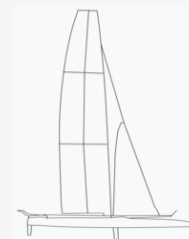
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Dynamic Credit Absolute Return Fund

Amplifying attractive IG income profiles with leverage

- ✓ High quality investment grade bonds
- ✓ Bottom-up credit selection process
- ✓ Short duration (5 years or less)
- ✓ No interest rate risk

= **Attractive Income**



	Unlevered	
	Yield	Duration
Long 5-year corporate bond (5.00%)	+5.00%	+5 yrs
Short 5-year government bond (3.80%)	-3.80%	-5 yrs
Cost of borrow (0.40%)	-0.40%	
Strategy results after leverage	+0.80%	0 yrs
Cash return on capital	+5.00%	
Total return	+5.80%	0 yrs

	2x Leverage	
	Yield	Duration
Long 5-year corporate bond (5.00%)	+10.00%	+10 yrs
Short 5-year government bond (3.80%)	-7.60%	-10 yrs
Cost of borrow (0.40%)	-0.80%	
Strategy results after leverage	+1.60%	0 yrs
Cash return on capital	+5.00%	
Total return	+6.60%	0 yrs

	3x Leverage	
	Yield	Duration
Long 5-year corporate bond (5.00%)	+15.00%	+15 yrs
Short 5-year government bond (3.80%)	-11.40%	-15 yrs
Cost of borrow (0.40%)	-1.20%	
Strategy results after leverage	+2.40%	0 yrs
Cash return on capital	+5.00%	
Total return	+7.40%	0 yrs

Source: 1832 Asset Management LP, For illustrative purposes only

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Dynamic Credit Absolute Return Fund

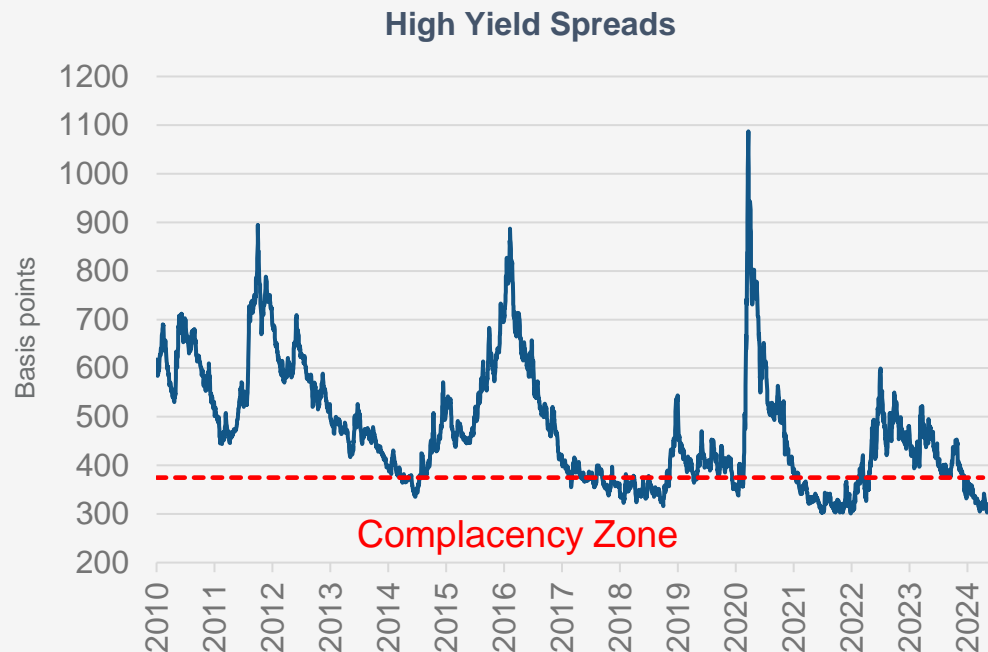
Mitigating IG credit spread volatility

- ✗ **Avoid default risk**
 - Committed to a rigorous bottom-up fundamental credit selection process
- ✗ **Avoid long bonds**
 - Invest within sight of maturity where spread volatility is less pronounced
- ✗ **Make use of hedging tools when spreads are expensive**



Active Hedging Strategies

Protecting capital through use of flexible hedging tools



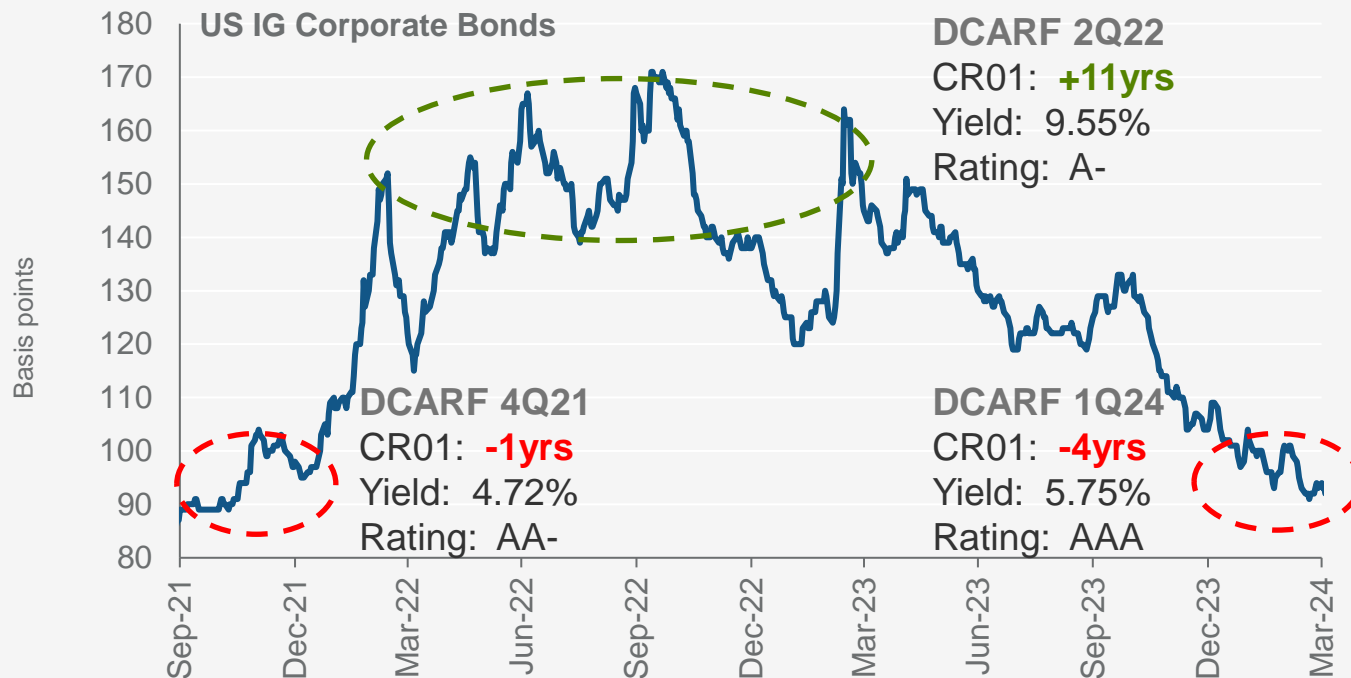
- Unlike equities, the upside in credit is increasingly capped as spreads reach tight levels.
- We actively manage the portfolio's risk/reward profile when spreads are expensive
- **Hedging Tools:**
 - Credit (CDX) / Interest Rate Derivatives
 - Single-Name Credit Default Swaps
 - Option Strategies (Puts, Put Spreads, Collars, etc.)
 - Shorts (Equities, Bonds, ETFs)

Source: Bloomberg, HY Index from 09/30/2021 to 31/05/2024.

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Embracing Flexibility in Credit Alternatives

Shifting valuations warrant an active approach



Spreads are Cheap

- Long Positioning
- Increased Leverage
- Broad Quality Skew

Spreads are Expensive

- Short Positioning
- Lower Leverage
- Higher Quality Skew

Source: Bloomberg, ICE BofAML US Corporate Index from 09/30/2021 to 31/03/2024.

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Dynamic Credit Opportunities Fund

Seeking equity-like returns with fixed income volatility

- ✓ **Highest conviction ideas** across the credit spectrum
- ✓ Unconstrained approach embracing the fund's flexibility, **no minimum rating**
- ✓ **Leverage deployed opportunistically** when valuations warrant
- ✓ **Active capital protection approach**, particularly when valuations are expensive



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Dynamic Credit Opportunities Fund

Investment strategies

Attractive Income	Event Driven	Arbitrage	Relative Value
Long	Long / Short	Long / Short	Long / Short
Income	Capital Gains	Income + Cap. Gains	Income + Cap. Gains
<ul style="list-style-type: none"> • Shorter duration • Secured or high nuisance value • Skewed towards higher rating buckets 	<ul style="list-style-type: none"> • Levering/delivering • Rating changes • Takeouts, call, M&A • New issue concessions 	<ul style="list-style-type: none"> • Market neutral • Credit vs. Equity • Holdco vs. Opco • Secured vs. <u>Unsec</u> • Cross currency 	<ul style="list-style-type: none"> • Mispriced securities • Rating arbitrage • Capitalizing on “rules based” strategies • Off-the-run ideas
<p>Macro Hedging Overlay (CDX, CDX, Equity Shorts, Bond Shorts, Puts, etc)</p>			

Leveraging Credit Alternatives in Your Portfolio

Flexible liquid alt. mandates to support your client's needs

	Dynamic Credit Absolute Return	Dynamic Credit Opportunities
Investment Objective:	Enhances return profile of Short-Term Investment Grade bonds	Seeks equity-like returns with fixed income volatility
Leverage:	Structural (2-3x)	Opportunistic (1-2x)
Average Rating:	Investment Grade (AAA)	Flexible (BBB+)
Duration:	Hedged	Unhedged, but less rate sensitive
Target Return Profile:	6-8%	8-10%
Correlation (10yrs) FTSE Canada Universe Bond	0.20	n/a
Correlation (10yrs) Bloomberg HY VLI CAD Hedged	0.53	n/a

Source: Bloomberg, 1832 Asset Management LP, data as of 31/05/2024.

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Conclusion: The Fixed Income World Has Changed

How will you adjust your client's portfolios?



Corporate bonds provide investors with attractive return profiles rarely seen over the past decade that could potentially exceed equity returns with much less volatility.



Multi-Strategy mandates with flexibility and a proven investment process can improve portfolio diversification and reduce correlations.



Investors should embrace actively managed solutions that can exploit opportunities despite broader market complacency.

Important information

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