



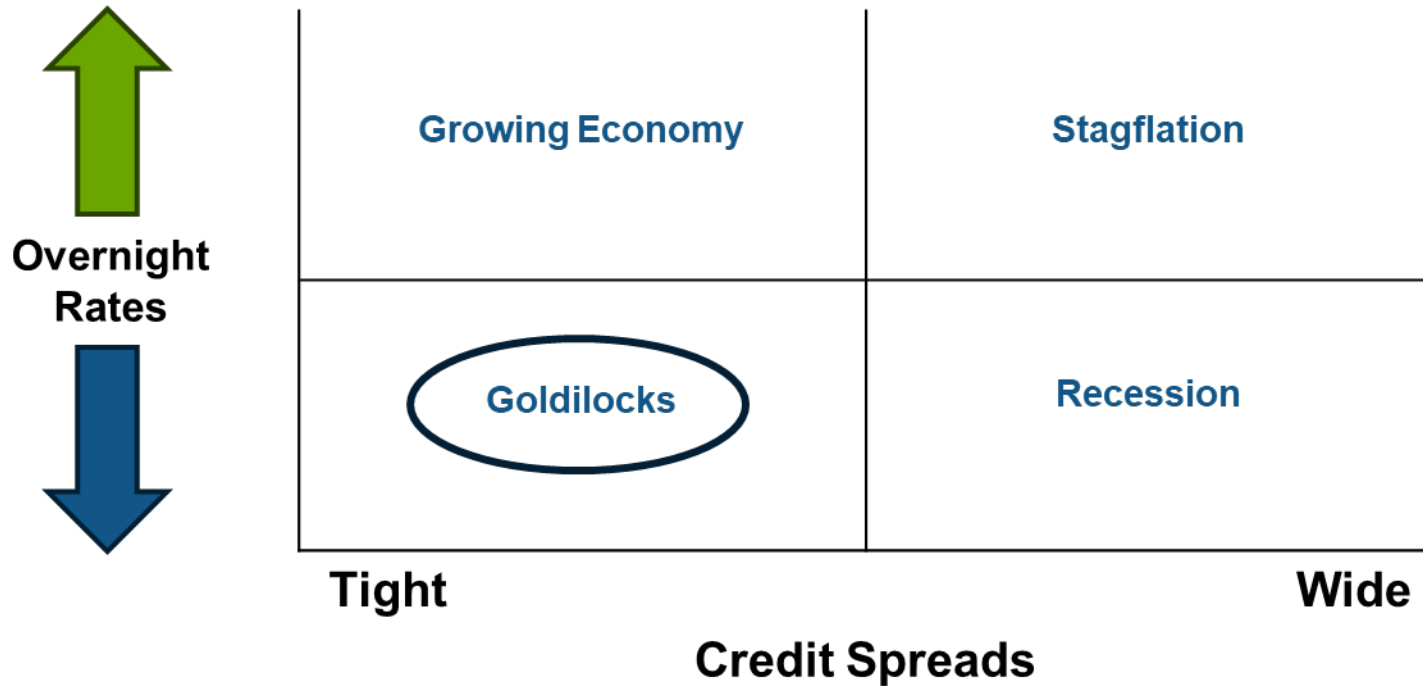
DYNAMIC
[LIVE]
FOCUS SERIES

**FIXED INCOME
IN FOCUS**

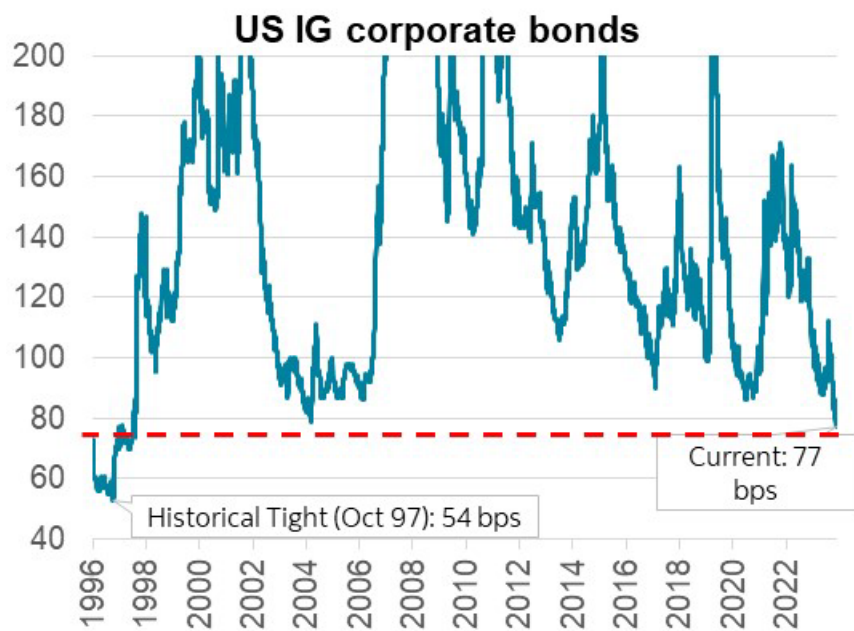
Specialized Credit Team

Opportunities Beyond the Beta Trade

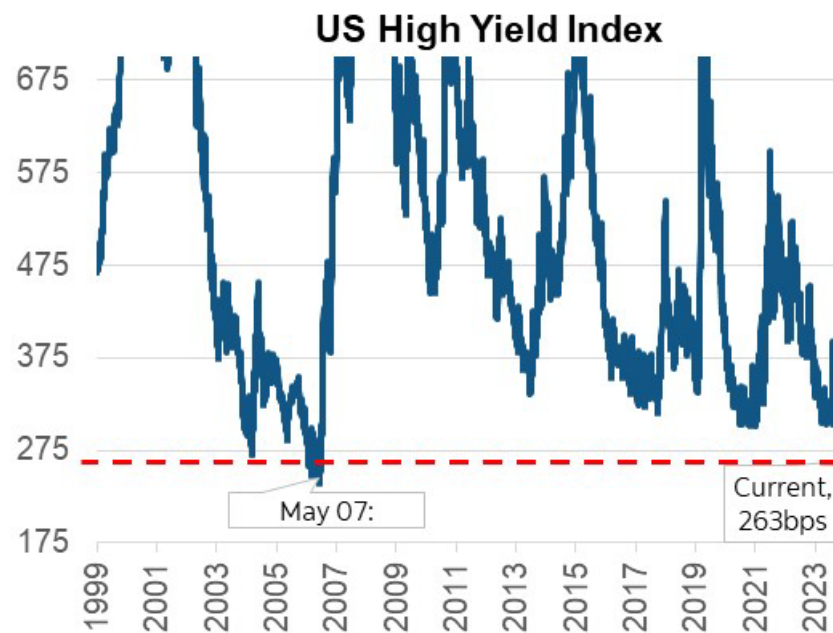
Where Have We Been? Where Are We Going?



Is the Beta Trade Over ?



Source: Bloomberg, ICE BofA US Corporate Index, 1996-12-31 to 2024-11-11



Source: Bloomberg, ICE BofA US High Yield Index, 1999-12-31 to 2024-11-11

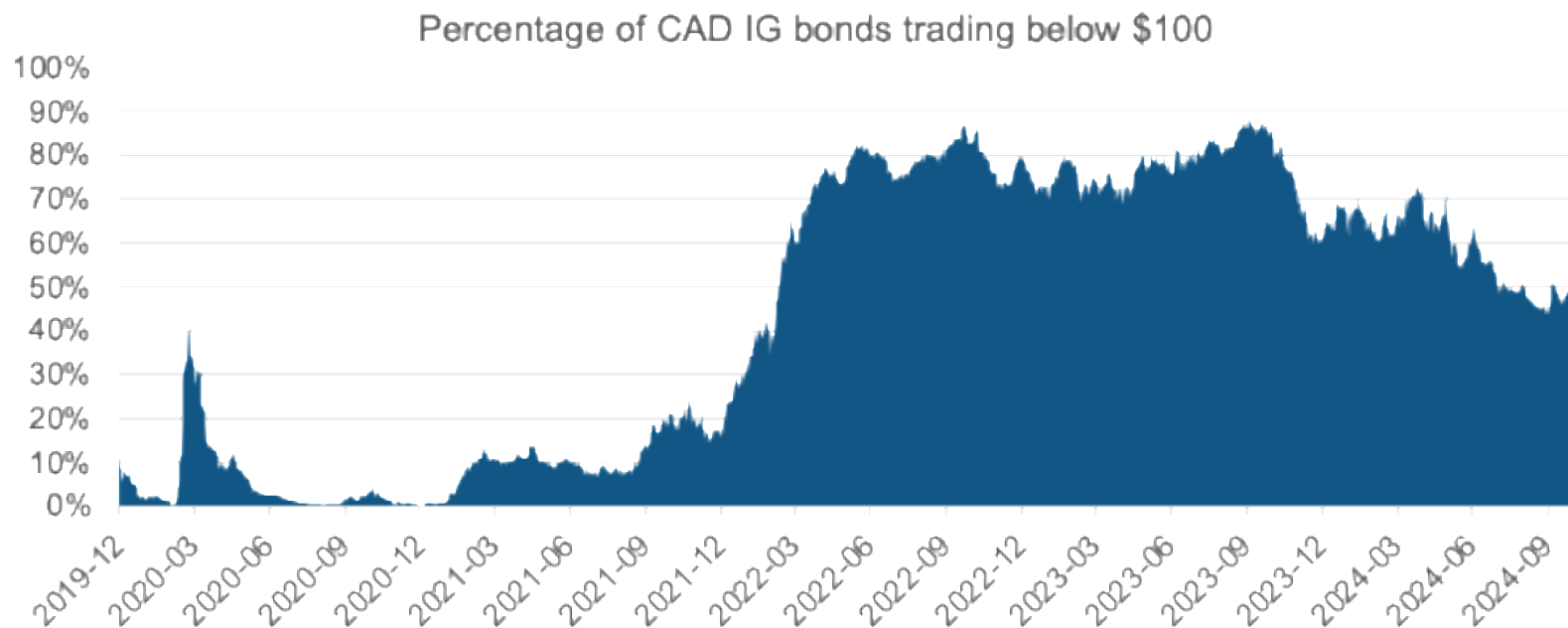
Similar Risk, Higher Potential Return

	Distribution Yield*	Daily Liquidity	Interest Rate Duration	Credit Duration
High Interest Savings Account (HISA)	3.70%	✓ Yes	LOW	NONE
1 Year Guaranteed Investment Certificates (GIC)	3.80%	✗ No	N/A	NONE
Dynamic Ultra Short-Term Bond Fund (F Series)	4.75%	✓ Yes	LOW	HEDGED

*Investors should not confuse the distribution yield with the fund's performance or its rate of return.

Source: 1832 Asset Management LP, Current yield based on Scotia HISA, Scotia GIC Rate as of Nov 11, 2024.

Almost Half the Index Still Trading Below PAR

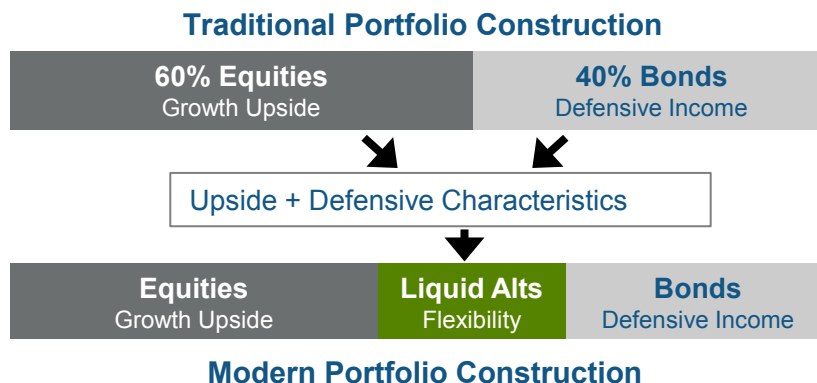


Source: FTSE Canada All Corporate Bond Index, 1832 Asset Management LP, Period from 2019-12-31 to 2024-11-12.

Credit is Attractive for Liquid Alternative Strategies

Improve diversification, exploit flexibility, and target absolute returns

- Spreads can be leveraged to capture corporate risk premiums
- Senior ranking and contractual maturity protects capital
- Asymmetric return profile creates attractive shorting opportunities



Leveraging Attractive Income



Research-Driven High-Quality Securities

Short Duration

Eliminate Interest Rate Risk



No Default Risk

Avoid Volatile Long Bonds

Tactically Hedge Unwanted Beta

	Unlevered		2x Leverage		3x Leverage	
	Yield	Duration	Yield	Duration	Yield	Duration
Long 5-year corporate bond	+4.20%	+5 yrs	+8.40%	+10 yrs	+12.60%	+15 yrs
Short 5-year government bond	-3.10%	-5 yrs	-6.20%	-10 yrs	-9.30%	-15 yrs
Cost of borrow	-0.40%		-0.80%		-1.20%	
Strategy results after leverage	+0.70%	0 yrs	+1.40%	0 yrs	+2.10%	0 yrs
Cash return on capital	+4.00%		+4.00%		+4.00%	
Total return	+4.70%	0 yrs	+5.40%	0 yrs	+6.10%	0 yrs

Source: 1832 Asset Management LP, for illustrative purposes only.

The Upside of Being Short

Credit markets are at frothy levels

- Spreads are expensive
- Defaults are low
- Investors are complacent

Good opportunity to short weak credits

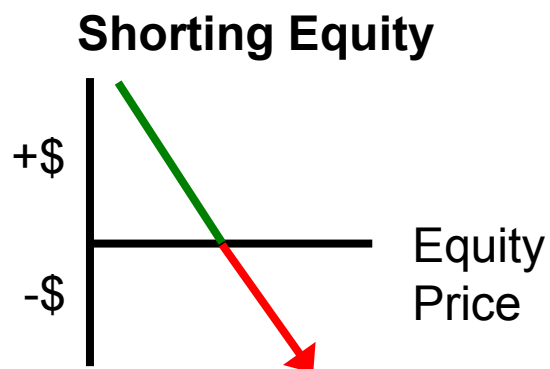
- Favorable risk/reward profile
- Valuation dispersion is low
- Generate returns in selloffs
- Reduce portfolio correlations

Spread Percentile Ranking Since 2000		
Market	Spread (bps)	Percentile
All High Yield	255	0.7%
BB	151	All time tight!
B	238	0.5%
CCC	545	10.6%

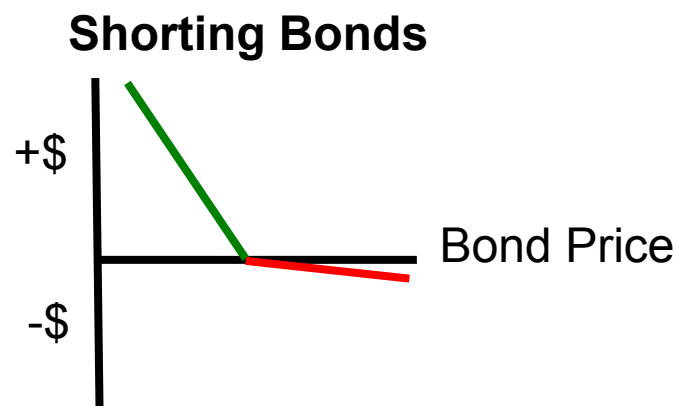
When High Yield spreads are 255 bps, 1-year total returns have averaged **-1.8%** since January 2000

Source: Bloomberg, 1832 Asset Management LP, Percentile ranking as of Oct 31, 2024.

Shorting Credit – Asymmetrical Risk/Reward Profile



- 100% Upside but...
- **Unlimited** downside



- 100% Upside and...
- Downside is **capped**

Source: 1832 Asset Management LP, for illustrative purposes only.

Avoiding Crowded Pools!

Where are investors chasing returns?

- Private Credit
- Passive/closet benchmark products
- On-the-run fairway issuers



Opportunities exist away from crowds!

- Less followed High Yield
- Hybrids
- Select Canadian issuers



Investing Away from Crowds

Unfollowed Canadian waste management company

- Services energy clients across Saskatchewan, Alberta, and BC
- Off-market 11% coupon, short maturity, secured by tangible assets
- Restrictive covenant package favouring bondholders

Material asset sale revealed “nuisance” value of the bonds

- Management wanted to use proceeds to buyback stock
- But... restrictive bond covenants got in the way
- Forced the company to call the bonds at a premium



**12-13% “equity-like”
Total Return**

**No interest rate
sensitivity**

**Zero correlation to
broad market levels**

Private Credit Comparison

	Private Credit	Credit Liquid Alt
Illiquidity Premium	✓ Yes	✗ No
Price Smoothing	✓ Yes	✗ No
Opportunity Cost / Liquidity Risk	High	Low
Transparency	Low	High
Fees	High/Opaque	Medium
Default Risk	High	Low
Credit Quality Trend	Deteriorating	Stable
Ability to Short	✗ No	✓ Yes

Is Private Credit's Illiquidity Premium and Price Smoothing worth it?

Opportunities Beyond the Beta Trade



While broad markets appear complacent, we find opportunities in high quality, short-term fixed income securities.



Alternative strategies have the potential to enhance returns in credit while having low correlation to traditional fixed income.



Active management can steer investors away from crowds and find hidden gems.



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