



# CANADIAN FIXED INCOME REPORT

## March 31, 2023

### INVESTMENT STRATEGY AND PROCESS

Lester Asset Management Inc. ("LAM") launched an actively managed Canadian Fixed Income strategy for its segregated accounts in January 2008 and created a pooled version through the LAM Canadian Fixed Income Fund in January 2021. The strategy uses a top-down macroeconomic approach to identify the most attractive sectors, types of instruments and maturities, as well as bottom-up fundamental valued-based credit analysis to identify suitable issuers and attractively priced securities. The portfolio is mainly invested in fixed income assets including government issued and guaranteed debt, Investment Grade and High Yield corporate bonds, convertible debentures, preferred shares, and money market instruments. Portfolio structure and risk management include proper diversification by industry, issuer, credit quality and instrument type, as well as laddered maturities. The Fund aims to maintain lower duration than the benchmark in order to minimize interest rate risk, and to achieve a high level of income generation while preserving capital.

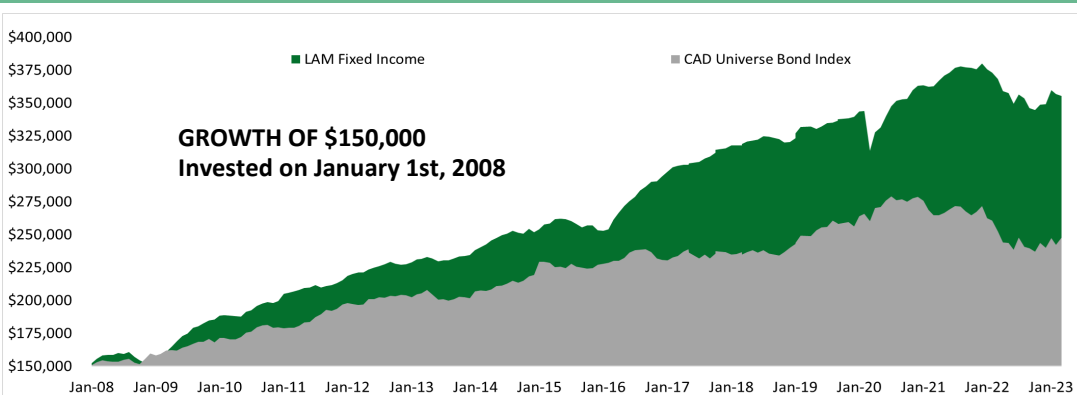
### CALENDAR YEAR GROSS RETURNS

	2023 YTD	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
LAM CAD FIXED INCOME*	1.9%	-8.1%	4.6%	7.0%	6.0%	1.5%	7.3%	16.1%	0.6%	7.4%	3.1%	5.6%	8.1%	7.5%	20.7%	2.5%
CAD Universe Bond Index	3.2%	-11.7%	-2.5%	8.7%	6.9%	1.4%	2.5%	1.7%	3.5%	8.8%	-1.2%	3.6%	9.7%	6.7%	5.4%	6.4%

### ANNUALIZED GROSS RETURNS (except for 1 month and 3 months returns)

	1 MONTH	3 MONTHS	1 YEAR	3 YEARS	5 YEARS	10 YEARS	SINCE JAN 1, 2008
LAM CAD FIXED INCOME*	-0.4%	1.8%	-3.4%	4.2%	2.3%	4.4%	5.8%
CAD Universe Bond Index	2.2%	3.2%	-2.0%	-1.7%	0.9%	1.9%	3.3%

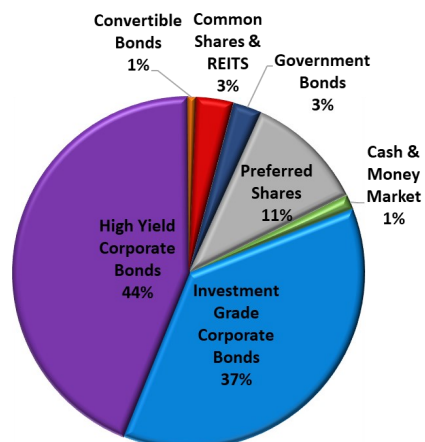
### CUMULATIVE GROSS RETURNS VERSUS CAD Universe Bond Index SINCE January 1, 2008



	Annualized Gross Returns	Cumulative Gross Returns
LAM* CAD FI	5.8%	136.9%
CAD Universe bond index	3.3%	65.0%
<b>Added Value</b>	<b>2.5%</b>	<b>71.9%</b>

### FUND ALLOCATION BY SECTOR AND ASSET TYPE

UTILITIES	20.9%
FINANCIAL	19.3%
COMMUNICATIONS	16.2%
CONSUMER CYCLICAL	13.0%
PIPELINES	10.5%
ENERGY	7.8%
BASIC MATERIALS	4.4%
INDUSTRIAL	3.9%
GOVERNMENT	2.6%
CASH	1.4%
REITS	0.0%
CONSUMER NON-CYCLICAL	0.0%



### TOP 10 FUND HOLDINGS

SECURITY	ASSET TYPE	%
Brookfield Infrastructure 3.41% Oct 09, 2029	IG Bond	3.7
Russel Metals 5.75% Oct 27, 2025	HY Bond	3.6
Videotron 5.625% June 06, 2025	HY Bond	3.4
Videotron 4.5% Jan 15, 2030	HY Bond	3.1
AutoCanada 5.75% Feb 02, 2029	HY Bond	3.1
Ford credit Canada 3.742% May 08, 2023	HY Bond	3.0
Laurentian Bank 5.3% June 15, 2081/2026	HY Bond	2.9
Enbridge 6.625% April 12, 2078/2028	IG Bond	2.8
Nuvista Energy 7.875% July 23, 2026	HY Bond	2.6
Altagas LTD 4.242% Preferred	Pfd	2.6

# MONTHLY COMMENTARY

March was highly volatile in financial markets with a selloff in the banking sector following the bankruptcy of Silicon Valley Bank and the forced acquisition of Credit Suisse by UBS. This caused much nervousness, especially for riskier assets. The federal regulator's intervention to insure bank deposits at SVB and their message to comfort depositors and investors seemed to bear fruit as markets rebounded towards the end of the month. This turmoil caused investors to question the Fed's ability to continue its rate hikes without causing more the volatility in the financial system. Bond yields ended the month considerably lower from a flight to safety (yields on 2-year government bonds fell by over 50 basis points) with the market even forecasting rate cuts by January 2024. Corporate credit spreads unsurprisingly ended the month significantly wider. Our low duration in order to reduce interest rate risk, and our overweight positioning in corporate credit and preferred shares naturally hindered our performance during the month. The **LAM Canadian Fixed Income Fund** generated a negative return of **-0.4%** compared to +2.2% for the FTSE Canada Universe Bond Index. Year to date, our gross return is **+1.9%** versus +3.2% for the index. Among our positive contributors for the month were bonds with longer maturities such as **Hydro-One 3.91% February 2046** and **Bell 3% March 2031**. Among our detractors, were preferred shares of issuers such as **Emera** and **Brookfield Office Properties**, and high yield securities such as **AutoCanada 5.75% February 2029**. We remain confident in the solid creditworthiness of the companies in our portfolio, however market events can certainly create volatility. This in turn provides good investment opportunities. Our cash weighting remains low as we have been using cash inflows to invest in securities that offer attractive yields. The Fund continues to offer a much higher than market current yield of over 6.5% with a duration of less than 4 years.

## PORTFOLIO MANAGERS



### Olivier Tardif-Loiselle, CFA – Lead Portfolio Manager Fixed Income

Olivier joined the firm in 2020 as Lead Portfolio Manager of Fixed Income. He is also a member of the firm's Investment Committee. He spent 7 years at iA Financial Group (Industrial Alliance, 4th largest life insurance company in Canada) in different roles such as credit analyst, senior trader and strategist for Fixed Income. While at iA, he developed an expertise in portfolio management and trading for investment funds, pension funds and LDI (Liability Driven Investments).

**Co-Managers: Stephen Takacsy, B. Eng, MBA**

## STRATEGY CHARACTERISTICS

<b>Inception Date</b>	January 1st, 2008
<b>Strategy AUM</b>	\$130 million
<b>Style</b>	All-Cap, value-driven and opportunistic
<b>Process</b>	Top down macroeconomic & bottom-up fundamental value-based
<b>Portfolio</b>	40 to 50 diversified holdings
<b>Risk Metrics</b>	Weighted Average Duration : 3.7 years Weighted Average Yield : 6.6% Weighted Average coupon : 5.25% Maximum position size: 5% Maximum sector weight: 25%

## POOLED FUND TERMS

<b>Inception Date</b>	January 4th, 2021																
<b>Fund AUM</b>	\$50 million																
<b>Minimum Investment</b>	\$150,000 (or less for accredited investors)																
<b>Eligible Accounts</b>	Non-Registered and Registered (RRSP, RESP, TFSA...)																
<b>Distribution</b>	AB, BC, MB, ON, QC, by way of Offering Memorandum																
<b>Management Expense Ratio (MER)</b>	Management Fee (as listed below) + maximum 0.1% for operating expenses, and trading and custodial charges																
<b>Fund Units***</b>	<table border="1"> <thead> <tr> <th>SERIES</th> <th>FUNDSERV CODE</th> <th>NAV</th> <th>MGMT. FEE</th> </tr> </thead> <tbody> <tr> <td>F</td> <td>LAF200</td> <td>\$9.54</td> <td>1.0%</td> </tr> <tr> <td>I</td> <td>LAF201</td> <td>\$9.60</td> <td>0.75%</td> </tr> <tr> <td>O</td> <td>LAF202</td> <td>\$9.79</td> <td>TBD</td> </tr> </tbody> </table>	SERIES	FUNDSERV CODE	NAV	MGMT. FEE	F	LAF200	\$9.54	1.0%	I	LAF201	\$9.60	0.75%	O	LAF202	\$9.79	TBD
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## ABOUT THE FIRM

Lester Asset Management is a Montreal-based independent discretionary portfolio management firm serving private clients and institutions such as charitable foundations, while exercising a fiduciary duty to always act in the best interests of its clients. The Firm is committed to preserving and growing the financial wealth of its clients through responsible and ethical investing while also providing a high level of personalized service to meet its clients' evolving needs. The Firm is focused on the active value-added management of its two core strategies: All-Cap Canadian Equity and Canadian Fixed Income, aiming to outperform the main indices and to add value by achieving higher returns than the market with lower risk while using strict ESG considerations. In 2019, the Firm was selected by the Quebec Emerging Managers Program to manage a pooled Canadian Bond fund for a group of institutional investors. In 2021, the Firm received a Global Manager Research (GMR) "Top Performer" Award for its 1-year return in the Canadian Fixed Income category, and in 2022 it received 2 more GMR "Top Performer" Awards for its 5-year and 10-year returns in the Canadian Fixed Income category. The Firm is also a signatory of the United Nations' Principles of Responsible Investing since 2021.

### FOR MORE INFORMATION:

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\*Returns for LAM's Canadian Fixed Income strategy are gross of management fees and based on dollar-weighted gross returns for the Canadian Fixed Income composite of segregated portfolios managed by LAM using the same strategy from January 2008 until the launch of the Fund in January 2021 and on gross returns of the LAM Canadian Fixed Income Fund thereafter. \*\*The FTSE Canadian Universe Bond Index is the benchmark that has been used since the inception of LAM's Canadian Fixed Income strategy in January 2008 and the Fund in January 2021, and reflects the policy of investing only in Canadian securities.\*\*\* Returns on the different unit series of the Fund will vary due to applicable management fees. Please read the Offering Memorandum before investing in the Fund. Pooled fund returns are not guaranteed as unit values change frequently and past performance may not be repeated.



FREQUENT CONTRIBUTOR ON

