



LESTER ASSET MANAGEMENT

RESPONSIBLE GROWTH



CANADIAN FIXED INCOME REPORT July 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.

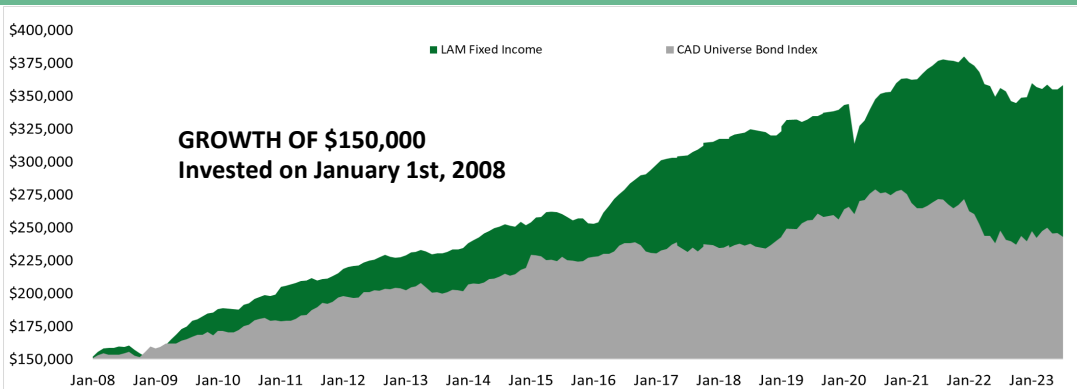
CALENDAR YEAR GROSS RETURNS

| | 2023 YTD | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|-------------------------|----------|--------|-------|------|------|------|------|-------|------|------|-------|------|------|------|-------|------|
| LAM CAD FIXED INCOME* | 2.7% | -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 | 1.4% | -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* | 1.0% | -0.1% | 0.6% | 1.5% | 2.2% | 4.5% | 5.7% |
| CAD Universe Bond Index | -1.1% | -2.7% | -1.8% | -4.5% | 0.6% | 1.9% | 3.1% |

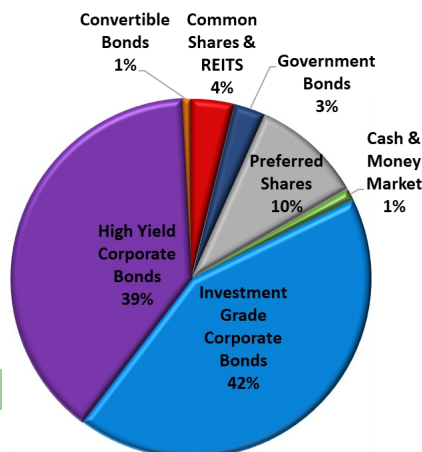
CUMULATIVE GROSS RETURNS VERSUS CAD Universe Bond Index SINCE January 1, 2008



| | Annualized Gross Returns | Cumulative Gross Returns |
|-------------------------|--------------------------|--------------------------|
| LAM* CAD FI | 5.7% | 139.0% |
| CAD Universe bond index | 3.1% | 62.1% |
| Added Value | 2.6% | 76.9% |

FUND ALLOCATION BY SECTOR AND ASSET TYPE

| | |
|-----------------------|-------|
| UTILITIES | 23.2% |
| FINANCIAL | 20.3% |
| COMMUNICATIONS | 17.1% |
| CONSUMER CYCLICAL | 10.8% |
| PIPELINES | 9.9% |
| ENERGY | 7.3% |
| BASIC MATERIALS | 4.4% |
| INDUSTRIAL | 3.1% |
| GOVERNMENT | 2.8% |
| CASH | 1.1% |
| REITS | 0.0% |
| CONSUMER NON-CYCLICAL | 0.0% |



TOP 10 FUND HOLDINGS

| SECURITY | ASSET TYPE | % |
|--|------------|-----|
| Russel Metals 5.75% Oct 27, 2025 | HY Bond | 3.7 |
| Videotron 5.625% June 06, 2025 | HY Bond | 3.6 |
| Brookfield Infrastructure 3.41% Oct 09, 2029 | IG Bond | 3.2 |
| Brookfield Renewable 3.38% Jan 15, 2030 | IG Bond | 3.1 |
| Enbridge 6.625% April 12, 2078/2028 | IG Bond | 3.0 |
| AirCanada 4.625% August 15, 2029 | HY Bond | 2.8 |
| Canada Government 2.75% June 01, 2033 | IG Bond | 2.8 |
| Videotron 4.5% Jan 15, 2030 | HY Bond | 2.7 |
| AutoCanada 5.75% Feb 02, 2029 | HY Bond | 2.7 |
| Laurentian Bank 5.3% June 15, 2081/2026 | HY Bond | 2.6 |

MONTHLY COMMENTARY

July ended on a difficult note for bond indices. For most of the month, most asset classes performed well because economic data was pointing in the right direction with inflation abating and GDP remaining strong. This suggested that the end of rate hikes may be approaching. However, by end of the month, the Bank of Japan (BOJ) indicated that it would let bond yields rise. Until then the BOJ had been buying back all 10-year government bonds with yields above 0.5% to keep a lid on interest rates. Following this news, the U.S bond market plummeted on speculation that higher yields in Japan would prompt investors to repatriate cash as Japanese investors are the largest foreign holders of US government debt. The Canadian bond market naturally followed suit and yields rose considerably by month-end. This pushed down the return of the Canada Universe Bond Index for July by -1.0%. Despite this, our shorter maturities and higher yield holdings enabled us to generate a gross return of **+1.0%** for the **LAM Canadian Fixed Income Fund**. Year-to-date we are now ahead of the index with a gross return of **+2.7%** versus +1.4% for the index. Our main contributors for the month included **Laurentian Bank 5.3% June 2081/2026**, as the bank has initiated a strategic review to potentially sell the company. Also, our high dividend yielding stocks in the energy infrastructure sector, such as **Altagas** and **Secure Energy**, both of which posted good results, performed well. Our detractors included longer dated bonds such as **Telus 4.85% April 2044**. We continue to use cash inflows to invest in securities offering attractively high yields in this unique high interest rate environment.

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

| | |
|-----------------------|--|
| Inception Date | January 1st, 2008 |
| Strategy AUM | \$134 million |
| Style | All-Cap, value-driven and opportunistic |
| Process | Top down macroeconomic & bottom-up fundamental value-based |
| Portfolio | 40 to 50 diversified holdings |
| Risk Metrics | Weighted Average Duration : 3.7 years Weighted Average Yield : 6.9% Weighted Average coupon : 5.25% Maximum position size: 5% Maximum sector weight: 25% |

POOLED FUND TERMS

| Inception Date | January 4th, 2021 | | | | | | | | | | | | | | | | |
|---------------------------------------|---|--------|---------------|-----|-----------|---|--------|--------|------|---|--------|--------|-------|---|--------|--------|-----|
| Fund AUM | \$57 million | | | | | | | | | | | | | | | | |
| Minimum Investment | \$150,000 (or less for accredited investors) | | | | | | | | | | | | | | | | |
| Eligible Accounts | Non-Registered and Registered (RRSP, RESP, TFSA...) | | | | | | | | | | | | | | | | |
| Distribution | AB, BC, MB, ON, QC, by way of Offering Memorandum | | | | | | | | | | | | | | | | |
| Management Expense Ratio (MER) | Management Fee (as listed below) + maximum 0.1% for operating expenses, and trading and custodial charges | | | | | | | | | | | | | | | | |
| Fund Units*** | <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>\$9.58</td> <td>1.0%</td> </tr> <tr> <td>I</td> <td>LAF201</td> <td>\$9.66</td> <td>0.75%</td> </tr> <tr> <td>O</td> <td>LAF202</td> <td>\$9.87</td> <td>TBD</td> </tr> </tbody> </table> | SERIES | FUNDSERV CODE | NAV | MGMT. FEE | F | LAF200 | \$9.58 | 1.0% | I | LAF201 | \$9.66 | 0.75% | O | LAF202 | \$9.87 | 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

