



# LESTER ASSET MANAGEMENT

RESPONSIBLE GROWTH



## CANADIAN FIXED INCOME REPORT September 30, 2024

### 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.

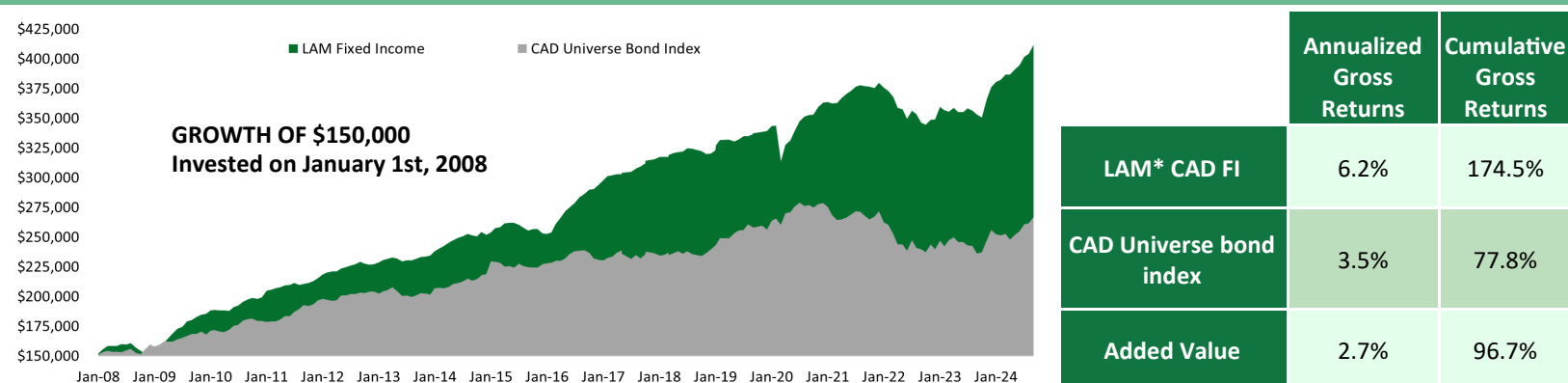
### CALENDAR YEAR GROSS RETURNS

	2024 YTD	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
LAM CAD FIXED INCOME*	9.5%	7.8%	-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	4.3%	6.7%	-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)

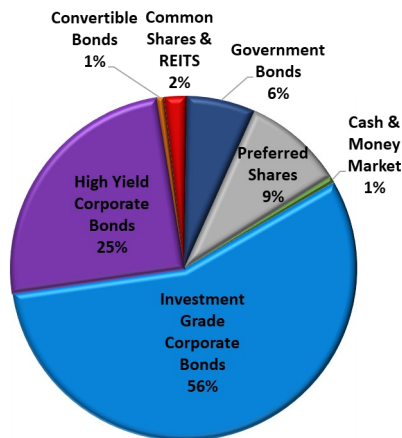
	1 MONTH	3 MONTHS	1 YEAR	3 YEARS	5 YEARS	10 YEARS	SINCE JAN 1, 2008
LAM CAD FIXED INCOME*	1.9%	4.4%	16.6%	3.0%	4.1%	5.1%	6.2%
CAD Universe Bond Index	1.9%	4.7%	12.9%	-0.1%	0.6%	2.3%	3.5%

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



### FUND ALLOCATION BY SECTOR AND ASSET TYPE

UTILITIES	28.7%
FINANCIAL	17.8%
COMMUNICATIONS	16.1%
PIPELINES	10.7%
CONSUMER CYCLICAL	9.1%
GOVERNMENT	6.4%
ENERGY	5.4%
BASIC MATERIALS	3.9%
INDUSTRIAL	1.3%
CASH	0.6%
CONSUMER NON-CYCLICAL	0.0%
REITS	0.0%



### TOP 10 FUND HOLDINGS

SECURITY	ASSET TYPE	%
Canada Government 2.75% June 01,2033	Gov Bonds	3.3
Superior Plus 4.25% May 18, 2028	HY Bond	3.2
Russel Metals 5.75% Oct 27, 2025	HY Bond	3.2
Brookfield Renewable 3.38% Jan 15, 2030	IG Bond	3.2
Videotron 5.625% June 06, 2025	IG Bond	3.1
Enbridge 6.625% April 12, 2078/2028	IG Bond	3.0
Brookfield Infrastructure 3.41% Oct 09, 2029	IG Bond	3.0
Canada Government 3% June 01,2034	Gov Bonds	2.8
Altgas 2.477% Nov 30, 2030	IG Bond	2.8
Brookfield 5.84% May 11, 2036	IG Bond	2.7

# MONTHLY COMMENTARY

September was a strong month for many asset classes, especially for fixed income securities. Bond yields fell and credit spreads tightened, driving up bond prices. We are very pleased with the performance of the **LAM Canadian Fixed Income Fund** which generated a strong positive gross return of **+1.9%**, similar to the FTSE Canada Universe Bond Index despite the much shorter duration of our Fund compared with the index. Year-to-date, we continue to significantly outperform the benchmark with a gross return of **+9.5%** versus **+4.3%** for the index. Inflation and employment continued to slow, which is favorable for future interest rate cuts by central banks. In fact, the Fed surprised markets with a 0.50% rate cut, the first since the end of the rate hiking cycle. Our main contributors during the month include, unsurprisingly, longer-dated bonds such as **Brookfield infrastructure 5.95% 2053**, **Telus 4.85% 2044** and **Altagas 2.477% 2030**. Other contributors included preferred shares from issuers such as **Brookfield** and some of our high dividend yielding stocks such as **BMO** and **Telus**. Our detractors included preferred shares such as those issued by **Altagas** which have been extended while the market was anticipating them to be redeemed, which put pressure on their price. Nevertheless, the new yield to the next callable date is over 8%, which is very attractive. During the month, we continued to slightly increase the Fund's duration to take advantage of further rate cuts in Canada, which should benefit longer bonds. Despite our strong returns year-to-date, the Fund still offers an inflation beating yield of around 5.2% for a duration of 4.4 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 : 4.4 years Weighted Average Yield : 5.2% Weighted Average coupon : 5.0% Maximum position size: 5% Maximum sector weight: 30%

## POOLED FUND TERMS

<b>Inception Date</b>	January 4th, 2021																
<b>Fund AUM</b>	\$68 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>\$10.86</td> <td>1.0%</td> </tr> <tr> <td>I</td> <td>LAF201</td> <td>\$10.98</td> <td>0.75%</td> </tr> <tr> <td>O</td> <td>LAF202</td> <td>\$11.34</td> <td>TBD</td> </tr> </tbody> </table>	SERIES	FUNDSERV CODE	NAV	MGMT. FEE	F	LAF200	\$10.86	1.0%	I	LAF201	\$10.98	0.75%	O	LAF202	\$11.34	TBD
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## ABOUT THE FIRM

**Lester Asset Management** is a Montreal-based independent portfolio management firm serving private clients and institutions, with a fiduciary duty to always act in the best interests of its clients. The Firm also manages institutional funds for the *Quebec Emerging Managers Program*. 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 core strategies: Canadian Equity, Canadian Fixed Income, and Global Equity, aiming to outperform the main indices and add value by achieving higher returns than the market with lower risk. 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 two more GMR *Top Performer* awards for its 5-year and 10-year returns in the Canadian Fixed Income Plus category. The Firm is also a signatory of the United Nations' Principles of Responsible Investing and is a member of the Taskforce on Nature-related Financial Disclosure (TNFD) Forum and the Nature Action 100 engagement team.

### 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

