

September 11<sup>th</sup>, 2015

## ***Fulcra Focused Yield Fund – September Update***

Net of fees, Class A returned -2.83% and Class B returned -2.76% in August. The portfolio has a 10.8% yield-to-maturity<sup>1</sup> and low interest rate sensitivity at 1.8 year duration.

Despite recent markdowns, those of you who support our investment philosophy know that these are opportune times for us as **value-based credit investors**. We have used market volatility to establish new positions and add to existing ones.

As can be seen in the table below, two of our top five holdings are new investments--**#1 Russel Metals 7.75%** and **#4 Toys R Us 8.5%**.

We have also added to several existing Top 10 Holdings as they have become cheaper--**#3 Westmoreland Coal 7.5% Term Loan**, **#6 Tuckamore Capital 8%** and **#7 Mood Media 10%**.

While some funds have blindly sold these positions, we encourage investors to consider adding exposure to these attractive opportunities through the **Fulcra Focused Yield Fund**.

The Fund's 20% holding of cash and proxies remains high, and we expect three of our top 10 holdings to return another 12.5% in cash to the portfolio by October--**Russel Metals**, **American Achievement** and **Mood Media**. We look forward to redeploying this cash into other opportunities that we are seeing.

Amid the market volatility, we are confident that our low valuation investments will keep our clients' capital protected while generating attractive fixed income returns over the longer-term.

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<sup>1</sup> Yield-to-maturity is calculated before fees.

## Fulcra Focused Yield Fund - Top 10 Holdings

As of September 10th, 2015

#	Security Name	Yield to Maturity	Weight	Portfolio Attribution (bps)		Investment Comment
				Year-to-Date Impact	Sep MTD Impact	
1	Russel Metals 7.75% due Sep 2016	7.2%	5.2%	+3	+0	<b>New Position, Expecting Redemption Soon</b> for 2% yield to call with 30 days notice, but 7.3% yield to Sep 2016 maturity. The bond has thusfar staying outstanding beyond call date, resulting in higher yield.
2	American Achievement 10.875% due Apr 2016	12.2%	4.5%	+44	+1	<b>Expecting Redemption Soon</b> - In stable school products industry generating high cash flow. Recent acquisition attempts by its two main competitors confirm its value. Earning <b>12% yield</b> until redemption.
3	Westmoreland Coal Term Loan L+6.5% due Dec 2020	10.2%	4.3%	-9	+1	<b>Recently Added</b> - Low-cost mines next to utilities see no competition above \$1.50/mmBTU natural gas price. Free cash flow yield is swept to paydown loan. LIBOR floor is 1%, so current coupon is 7.5%.
4	Toys R Us PropCo II 8.5% due Dec 2017	9.9%	3.2%	-0	+0	<b>New Position</b> accumulated recently as price weakened to <b>10% yield</b> . Bond is secured by real estate portfolio that holds the more attractive Toys R Us locations with higher store revenues.
5	Tembec 9% due Dec 2019	20.4%	2.9%	-66	+13	<b>Recently Added</b> - multiple options exist to address recent liquidity concerns; US housing growth is improving lumber pricing prospects, new cogeneration facility will stabilize earnings and increase valuation.
6	Tuckamore Capital 8% due Mar 2016	94.8%	2.9%	+2	-30	<b>Recently Added</b> - Doubled position in 50s and 60s prices for average cost below 70, and lower if adjusting for interest being earned. Recently quoting at 78, but marked down with one September trade at 70. Valuation is covered by one portfolio company and working capital.
7	Mood Media 10% due Oct 2015	9.6%	2.8%	+23	+1	<b>Recently Added, Maturing in October</b> - position <b>yields 9.6%</b> for another 7 weeks. Company has cash earmarked for redemption.
8	Harland Clarke 9.75% due Aug 2018	8.7%	2.8%	+9	-0	Senior secured high coupon bond is early refinance candidate. Stable businesses with 20% cash flow yield to these bonds.
9	Affinion Term Loan L+5% due Apr 2018	9.1%	2.3%	+11	+0	1st Lien loan on diversified high cash flow business that is stabilizing from regulatory uncertainty issues. Position <b>yields 9%</b> for 2.5x leverage. LIBOR floor is 1.5%, so current coupon is 6.5%.
10	Supervalu Term Loan L+3.5% due Mar 2019	4.4%	2.2%	+13	+1	Loan is secured by a stable business and pays floating-rate interest coupon. LIBOR floor is 1%, so current coupon is 4.5%.

Thank you for your continued support.

Best regards,

Matt Shandro  
 President, Fulcra Asset Management Inc.

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