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Fulcra Credit Opportunities Fund
August 2016 Update

When it comes to portfolio construction, conventional wisdom suggests fixed income is positioned for reducing risk and providing income while equities provide the growth characteristics for longer term wealth creation.

However, when the level of Sovereign debt trading with a negative yield reaches 13 trillion globally, this is easier said than done. Understandably, we frequently hear investors state, "oh, we're not buying bonds right now". A valid point when referring to Sovereign or close to Sovereign bonds which offer little more than zero (i.e. 10 year Canada bonds yield 1.18 %) and often times less than zero yield. However, it's not as rational a point to make when referring to a portfolio of sensibly selected corporate bonds and loans.

The trick here is to find the right manager as it's a very tough thing to do yourself. Perhaps one who concentrates on a limited number of credits that they know very well (i.e. a focused portfolio), and who doesn't let rating agencies replace the need for deep fundamental analysis. A manager who keeps their portfolio duration low to immunize from rising rates and one that does not take chances with variables over which they have little control - leverage and unhedged foreign exchange exposure. Compensation should also be prudent and closely linked to performance.

The Fulcra Credit Opportunities Fund possesses all of these attributes, and a recent Financial Post article provides some more insight into our methodology.

We welcome any comments and questions you may have about our disciplined strategy. As always, we welcome your questions.

Best regards,

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