

Fulcra Credit Opportunities Fund

Portfolio Commentary & Attribution
JAN 31, 2025



Return *of* Capital > Return *on* Capital



COMMENTARY

Dear investors,

We're only one month into 2025 and the North American political landscape has changed dramatically.

Here in Canada, Justin Trudeau announced he would resign as party leader (once a new leader is chosen) and suspended parliament until March 24. In the USA, the Department of Government Efficiency (DOGE), headed by Elon Musk, began their quest to reduce wasteful and fraudulent spending, and eliminate excessive regulations. According to the DOGE page on X, billions in wasteful/fraudulent spending had been eliminated within weeks.

Canadian snowbirds continue to squawk with CADUSD trading below 70 cents, but domestic borrowers were happy when the Bank of Canada reduced overnight rates. The Prime lending rate was reduced to 5.2% on January 29th.

Portfolio Update

The outright level of index credit spreads continues to tell us to manage our portfolios conservatively. Credit is extremely expensive at the index level.

Despite the relatively high cash & cash alternatives position in Fulcrum funds, we continue to find niche investment opportunities that offer attractive rates of return.

In the past Fulcrum has selectively chosen to invest in companies that may restructure. While this process can be exceptionally volatile, it can also be the time to invest in a business that will get properly restructured for the future and / or liquidate assets.

For example, just this past month, the fund experienced a cash distribution from a position owned for several years. A former Teekay Corp entity, that is now owned by Brookfield, sold a subsidiary and distributed the proceeds amongst all shareholders.

Outlook

M&A activity in the US continues to be a focus for 2025. We remain cautious given the outright level of credit spreads but continue to search for unique investments whose merits and payoff potential will be uncorrelated to the macro environment.

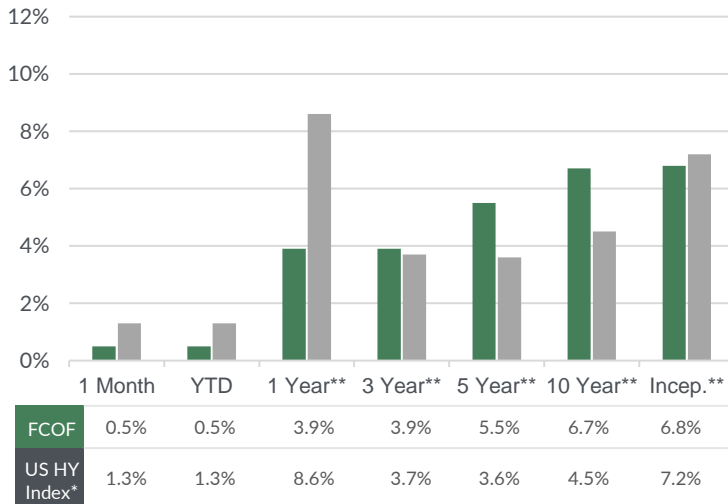


ATTRIBUTION

FUND PORTFOLIO CHARACTERISTICS

YTM (%)	10.7%
Current Yield (%)	7.1%
Distribution Yield	6.6%
12-M Distribution Yield	6.0%
Average Bond Price (\$)	94.16
Maturity (Yrs.)	3.1
Duration (Yrs.)	2.1

COMPOUND PERFORMANCE



* ICE BofA US High Yield Index (CAD Hedged) – H0A0
** Annualized since June 30, 2009

TOP 20 ISSUER LIST BY WEIGHTS

Rogers Communications Inc	4.4%
Optiva Inc	4.3%
Premium Brands Holdings Corp	3.9%
Pyxus International Inc	3.5%
EG Global Finance PLC	3.3%
Dye & Durham Limited	3.2%
Kar Auction Services Inc	3.1%
WildBrain Ltd	3.0%
CNG Holdings Inc	2.7%
Videotron Ltd	2.6%
Corus Entertainment	2.5%
New Flyer Industries Inc	2.4%
Gibson Energy Inc	2.2%
Sherritt International Corp	2.1%
Telesat Canada	2.0%
Diamond Sports Finance Co	2.0%
Nova Chemical Corp 5 05/01/25	1.9%
Conuma Coal Resources Ltd	1.8%
Golar Lng Ltd	1.8%
Guitar Center	1.7%

RETURN CORRELATION MATRIX

	1	2	3	4	5	6
1 Fulcrum Credit Opportunities Fund (Class B)	1.00					
2 S&P 500 CAD (SPXHCD)	0.46	1.00				
3 S&P/TSX Capped Composite CAD (T00CAR)	0.58	0.82	1.00			
4 ICE BofA US High Yield Index USD (H0A0)	0.63	0.77	0.75	1.00		
5 ICE BofA US Corporate USD (C0A0)	0.39	0.48	0.52	0.70	1.00	
6 ICE BofA Canada Corporate CAD (F0C0)	0.35	0.32	0.40	0.52	0.83	1.00

Time Period: Since Common Inception - 06/30/2009
Source: Bloomberg LP



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The indices are used for broad market performance comparisons. The ICE BofA Canada Corporate Index is comprised of Canadian investment grade corporate bonds. The ICE BofA Canada High Yield Index is comprised of a basket of Canadian dollar issued high yield bonds. The ICE BofA US Corporate Index is comprised of US IG corporate bonds. The ICE BofA US High Yield Index is comprised of US High Yield bonds. The S&P 500 Index is comprised of a basket of US equities. The S&P/TSX Capped Composite is comprised of a basket of Canadian equities. The indices are presented on a total return basis.

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