



CANADIAN FIXED INCOME REPORT

August 31, 2022

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.

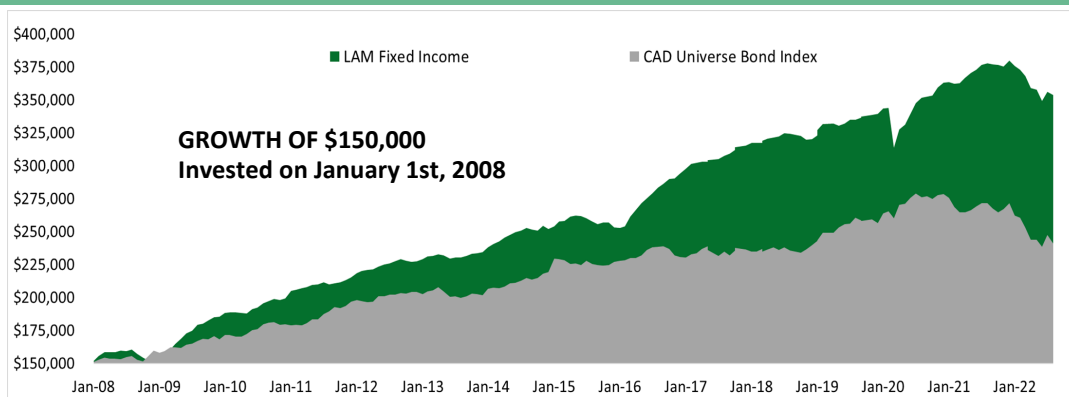
CALENDAR YEAR GROSS RETURNS

	2022 YTD	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
LAM CAD FIXED INCOME*	-6.9%	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	-11.3%	-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*	-0.7%	-1.1%	-6.4%	1.8%	2.8%	4.5%	6.0%
CAD Universe Bond Index	-2.7%	-1.1%	-11.3%	-2.6%	0.5%	1.8%	3.3%

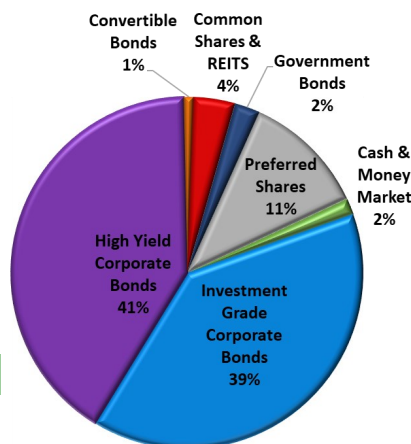
CUMULATIVE GROSS RETURNS VERSUS CAD Universe Bond Index SINCE January 1, 2008



	Annualized Gross Returns	Cumulative Gross Returns
LAM* CAD FI	6.0%	135.7%
CAD Universe bond index	3.3%	60.6%
Added Value	2.7%	75.2%

FUND ALLOCATION BY SECTOR AND ASSET TYPE

UTILITIES	22.3%
FINANCIAL	18.8%
COMMUNICATIONS	16.4%
CONSUMER CYCLICAL	12.3%
PIPELINES	9.9%
ENERGY	8.5%
BASIC MATERIALS	4.8%
INDUSTRIAL	2.5%
GOVERNMENT	2.3%
CASH	1.5%
REITS	0.7%
CONSUMER NON-CYCLICAL	0.0%



TOP 10 FUND HOLDINGS

SECURITY	ASSET TYPE	%
Russel Metals 5.75% Oct 27, 2025	HY Bond	3.9
Laurentian Bank 5.3% June 15, 2081/2026	HY Bond	3.5
AutoCanada 5.75% Feb 02, 2029	HY Bond	3.4
Brookfield Infrastructure 3.41% Oct 09, 2029	IG Bond	3.4
Videotron 4.5% Jan 15, 2030	HY Bond	3.2
Ford credit Canada 3.742% May 08,2023	HY Bond	3.2
Videotron 5.625% June 06, 2025	HY Bond	3.1
Enbridge 6.625% April 12, 2078/2028	IG Bond	3.0
Nuvista Energy 7.875% July 23,2026	HY Bond	2.8
Bank of montreal 5.625% May 26, 2082/2027	IG Bond	2.8

MONTHLY COMMENTARY

Once again, the month was marked by a rapid rise in interest rate yields, fueled by aggressive rhetoric from central banks regarding future rate hikes. The comfort in their positioning comes from the fact that they continue to see future inflation as problematic and that the overall economy is doing well, even with the rate hikes of the past few months. This gives them more room to maneuver with monetary policy. It is, therefore, no surprise that stocks and bonds had a more difficult month. In fact, the FTSE Canada Universe Bond Index ended the month with a negative gross return of -2.7% versus **-0.7%** for the **LAM Canadian Fixed Income Fund**. For 2022, the Fund remains well ahead with a return of **-6.9%** versus -11.3% for the index, which represents an outperformance of **+4.4%**. Contributors for the month included preferred shares such as **Brookfield Renewable** and **Pembina**, as well as high yield bonds such as **Russell Metals 5.75%**. Among our detractors were higher duration bonds such as **Hydro One 3.91%** and **Bell 3%**, as well as high dividend yielding stocks in the energy infrastructure sector like **AltaGas** and **TC Energy**. Our cash weighting continues to be low, as we have been using cash inflows and maturities to invest at higher yields, the Fund now having a very attractive current yield of over 6% with a duration of only 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

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 : 4.2 years Weighted Average Yield : 6.0% Maximum position size: 5% Maximum sector weight: 25%

POOLED FUND TERMS

Inception Date	January 4th, 2021																
Fund AUM	\$47 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>\$9.55</td> <td>1.0%</td> </tr> <tr> <td>I</td> <td>LAF201</td> <td>\$9.60</td> <td>0.75%</td> </tr> <tr> <td>O</td> <td>LAF202</td> <td>\$9.74</td> <td>TBD</td> </tr> </tbody> </table>	SERIES	FUNDSERV CODE	NAV	MGMT. FEE	F	LAF200	\$9.55	1.0%	I	LAF201	\$9.60	0.75%	O	LAF202	\$9.74	TBD
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ABOUT THE FIRM

Lester Asset Management is an independent discretionary portfolio management firm serving private clients and institutions such as charitable foundations, while exercising a fiduciary duty to always act in its clients' best interest. 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 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. Annualized returns of the Firm's Canadian Equity strategy have consistently ranked in the 1st quartile for over 10 years. 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.

FOR MORE INFORMATION:

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FREQUENT CONTRIBUTOR ON



*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.