

Bridgehouse Canadian Bond Fund

Fund Commentary

In the first quarter of 2022, the Canadian economy remained solid amidst health measures aimed at reducing the spread of the COVID-19 variant Omicron. The Canadian gross domestic product (“GDP”) increased by 0.2% in January, pushing real GDP numbers above pre-pandemic levels.¹ Moreover, the prospect of economies reopening during the second half of the quarter drove the Canadian unemployment rate lower, which reached 5.3%, its lowest level since 1976.² While economic indicators continued to improve, the quarter ended with heightened volatility in financial markets. The recent European conflict combined with more hawkish central banks and the recent Omicron related lockdowns in China created some worry among market participants on the sustainability of the economy. In addition, the U.S. 2-10 year yield curve, which has historically been perceived as a market signal for recessions, slightly inverted during the quarter, causing recession fear to weigh on investors' sentiment.

Canadian fixed income returns were negative for the quarter as yields across the Government of Canada (“GoC”) yield curve moved substantially higher since the start of the year against the backdrop of elevated inflation prints and more hawkish central banks. As expected, North American central banks delivered their first rate hike and raised benchmark policy rates by 25 basis points in March. Consequently, the increase in yields was more pronounced at the front end of

the curve. As a matter of fact, the two-year GoC bond yield increased by 134 basis points, while the 30-year GoC bond yield increased by 70 basis points.³ As a result, the yield curve flattened over the quarter. While acknowledging the uncertainties related to the geopolitical situation and its economic implications, North American central banks have reiterated that they view inflation, which is hovering around its 30-year high in Canada, as a more pressing problem to tackle unless the growth outlook markedly deteriorates. Meanwhile, the war in Ukraine and the fear that higher interest rates could hinder economic growth caused Canadian corporate spreads to widen by 27 basis points over the quarter.⁴

In the first quarter, the Bridgehouse Canadian Bond Fund posted a negative absolute return, but outperformed its benchmark, the FTSE Canada Universe Bond Index. The portfolio benefited from its short duration position as well as yield enhancement from its commercial mortgage exposure.

Over the quarter, we (TDAM) decreased our below benchmark duration exposure and neutralized our duration position. Spurred by inflation pressures and more hawkish central banks, yields increased materially over the quarter and approached the top of our trading range. Moreover, we believe that higher rates may negatively impact the

economy and increases the risk of an economic slowdown. Therefore, while we already covered the majority of our short positions, we will be more inclined to augment our duration relative position if interest rates continue to rise for the remainder of the year. From a credit perspective, we tactically increased the credit weight in the portfolio given our relatively more defensive posture when entering the recent European geopolitical crisis, which caused spreads to significantly widen. That being said, we are not looking to carry this tactical overweight for the long term. Therefore, as spreads move back to normal ranges, we will reduce our credit positioning accordingly.

^{1,2,3}Bloomberg L.P. ⁴FTSE Global Capital Markets Inc.

Bridgehouse Canadian Bond Fund

Fundamentals

	FUND	INDEX
Average Maturity (years)	10.9	10.5
Average Duration	7.8	7.8
Yield to Maturity	3.2%	3.0%
Average Coupon	3.0%	2.8%

	FUND	INDEX
AAA	23.8	36.2
AA	29.4	35.6
A	26.4	16.3
BBB	20.4	11.8
<BBB	0.0	0.0

Bridgehouse Canadian Bond Fund

FOR DISTRIBUTION TO INVESTORS BY REGISTERED DEALERS ONLY.

Bridgehouse Asset Managers® is a trade name of Brandes Investment Partners & Co. (Bridgehouse). Brandes Investment Partners® is a registered trademark of Brandes Investment Partners, L.P. (Brandes LP), which is an affiliate of Bridgehouse. Bridgehouse is the manager of the Bridgehouse Funds and has hired Brandes LP, Lazard Asset Management (Canada), Inc. (Lazard), Morningstar Associates Inc. (Morningstar), Sionna Investment Managers Inc. (Sionna), GQG Partners LLC (GQG Partners) and TD Asset Management (TDAM) as portfolio sub-advisors (collectively, the “portfolio sub-advisors”) in respect of the Bridgehouse Funds. The foregoing reflects the thoughts, opinions and investment strategies of Bridgehouse and/or the portfolio sub-advisors and is subject to change at their discretion, based on changing market dynamics or other considerations. Bridgehouse and the portfolio sub-advisors have taken reasonable steps to provide accurate and current data. The data has been gathered from sources believed to be reliable, however, Bridgehouse and/or the portfolio sub-advisors are not responsible for any errors or omissions contained herein. Indices are unmanaged and cannot be directly invested into. Securities mentioned herein are not to be construed as a recommendation to buy or sell. Past performance is not a reliable indicator of future results. This material has been provided by Bridgehouse and is for informational purposes only. It is not intended to provide legal, accounting, tax, investment, financial or other advice and is not to be construed as a recommendation to buy or sell. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. This report may contain forward-looking statements about the economy and markets; their future performance, strategies or prospects. Units and shares of the Bridgehouse Funds are available through registered dealers only and are not available through Bridgehouse.

The words “may,” “could,” “should,” “would,” “suspect,” “outlook,” “believe,” “plan,” “anticipate,” “estimate,” “expect,” “intend,” “forecast,” “objective” and similar expressions are intended to identify forward-looking statements. Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties about general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. You are cautioned to not place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement. Before making any investment decisions, you are encouraged to consider these and other factors carefully. Where applicable, please note that MSCI has not approved, reviewed or produced this report, makes no express or implied warranties or representations and is not liable whatsoever for any data in the report. You may not redistribute the MSCI data or use it as a basis for other indices or investment products.

Published May 18, 2022