Credit Market Themes in 5 Charts

Q4 2022

A New Chapter for Fixed Income

2022 was a challenging year for nearly all publicly traded asset classes as central banks increased interest rates to combat inflation. Traditional government and corporate bond strategies provided no diversification benefits for investors, who experienced negative returns from both their fixed income and equity allocations.

This past year highlighted the need for fixed income strategies that can withstand interest rate volatility and take a more flexible approach to bond investing for investors - particularly when they can provide meaningful returns and diversification without sacrificing liquidity or credit quality.

At RPIA, we have banged the drum over the past few years that investors need diversification of investment styles in their fixed income strategies, and not just in their equity sleeves.

We are proud to have delivered those diversification attributes for investors in 2022 through this difficult environment. Both RP Strategic Income Plus Fund and RP Alternative Global Bond Fund provided meaningful downside protection and attractive relative returns as seen below.

Fund / Index	2022 Total Return
RP Alternative Global Bond Fund (Class F)	+1.0%
RP Strategic Income Plus Fund (Class F)	-5.0%
Canadian Corporate Bonds	-9.9%
Canadian Aggregate Bonds	-11.7%
Global Corporate Bonds (CAD Hedged)	-14.6%
US Corporate Bonds (CAD Hedged)	-16.3%

Source: RPIA, Bloomberg, FTSE Russell. Data as of 12/31/2022. Canadian Corporate Bonds = FTSE Canada All Corporate Bond
Canadian Aggregate Bonds = FTSE Universe Bond. Global Corporate Bonds (CAD Hedged) = Bloomberg Global Corporate (CAD Hedged)
US Corporate Bonds (CAD Hedged) = Bloomberg US Corporate (CAD Hedged)

But by no means are we sitting on our laurels and patting ourselves on the back. Preserving capital is one thing, but making money when opportunities arise is the primary goal of an active management approach like ours.

After a good "dust up" in the markets, we believe now is an excellent time for investors to be adding to high-quality fixed income. On an absolute basis, today's all-in yields could provide a margin of safety to bondholders and income that is on par with most dividend focused equities.

On a relative basis, we believe the risk-reward of fixed income is superior to that offered by both equity investments and private debt. Although we're in the early stages of a recession, credit fundamentals in many areas remain sound with financing needs for corporations low and leverage at manageable levels.

We believe markets will likely remain volatile in 2023 as central banks continue to tighten financial conditions to fight inflation and the implications for asset valuations and the real economy remain uncertain. However, 2023 should usher in a new chapter for fixed income, and we believe active management will be critical in navigating the market as the year unfolds to deliver returns for investors, while also managing risk effectively if inflation concerns revert.

On the following pages are 5 charts that sum up our takeaways from 2022 and our outlook for 2023. We hope you will find them thought-provoking.

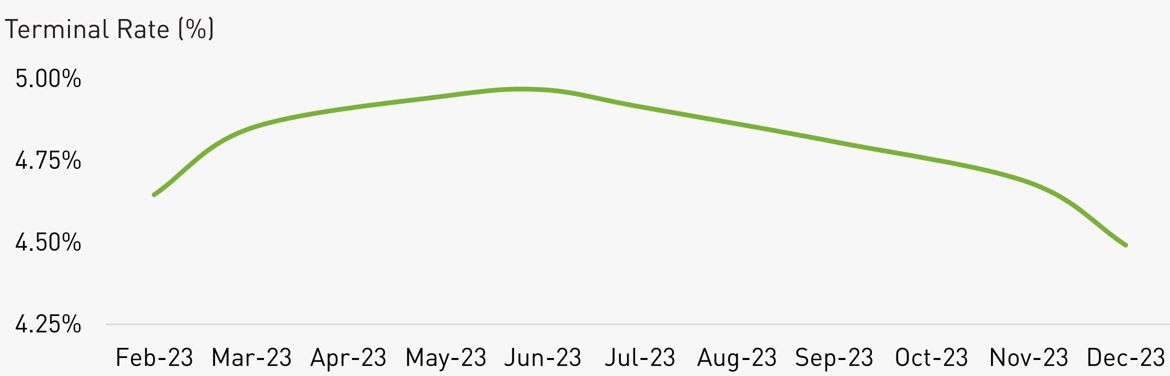
Please feel free to contact us if you would like to have any further discussions about the market environment or the role our solutions can play in your portfolio.

1 Light at the End of the Tunnel

Historically, investing in advance of the final rate hike has generated strong returns

Sharply rising interest rates in 2022 meant the worst return for bonds in a century; however, we believe there is an opportunity going forward. Market pricing implies we will reach the peak overnight rate this cycle in mid-2023. Historically, investing in the bond market approaching this final interest rate hike has been a profitable strategy for investors.

Markets Imply US Interest Rates Will Peak at Around 5% in Mid-2023



Investing Near the End of a Rate Hike Cycle Produces Strong Returns

Rate Hike	First 12 months return (based on dollar cost average)	Annualized total return over five years
Jun 2006	4.5%	5.9%
May 2000	5.3%	7.2%
Feb 1995	7.7%	6.8%
Feb 1989	10.2%	10.6%
Sept 1987	7.0%	9.6%
May 1981	3.3%	15.6%

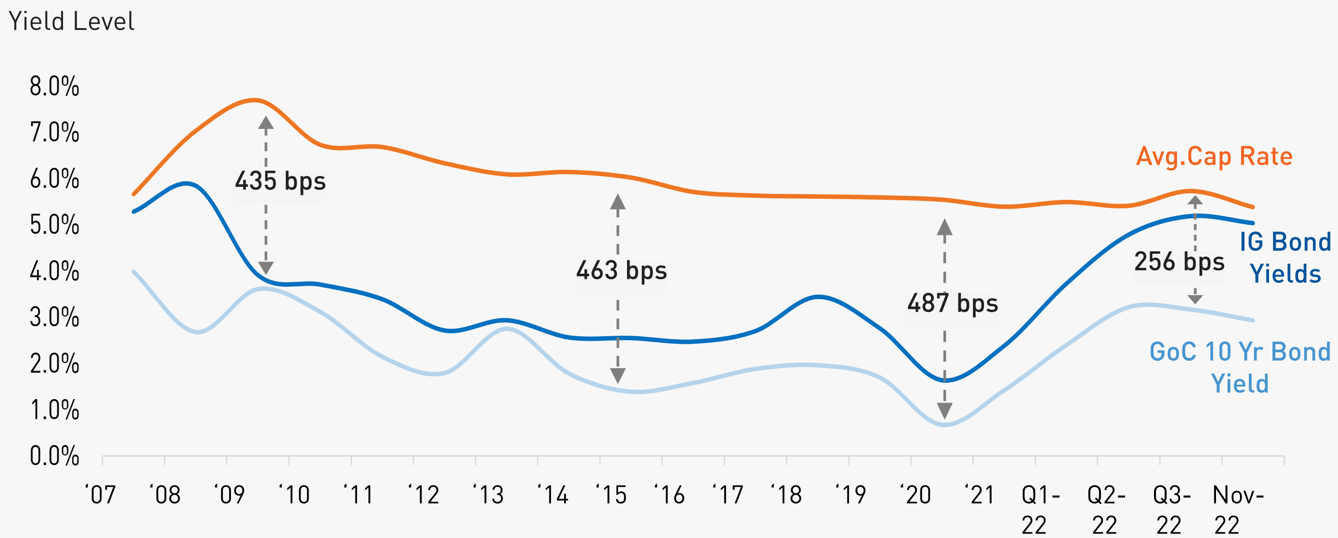
Data as of Jan. 6th, 2023. Source: Bloomberg. Index = Bloomberg U.S. Aggregate Bond Index.

2 Balancing Yield and Liquidity

Bonds can provide a yield competitive with real estate cap rates for the first time since the Global Financial Crisis

Over the last decade, investors moved away from traditional fixed income as part of the search for yield. A popular substitute for fixed income was real estate, with cap rates 2-3% higher than the yield offered by BBB-rated corporate bonds. With the interest rate increases of the last 12 months, we believe investors can now capture a yield on bonds that is basically the same as the cap rate on a real estate investment, but without sacrificing liquidity.

Bond Yields Rose Sharply This Quarter, Closing the Gap to the National All-Asset Cap Rate



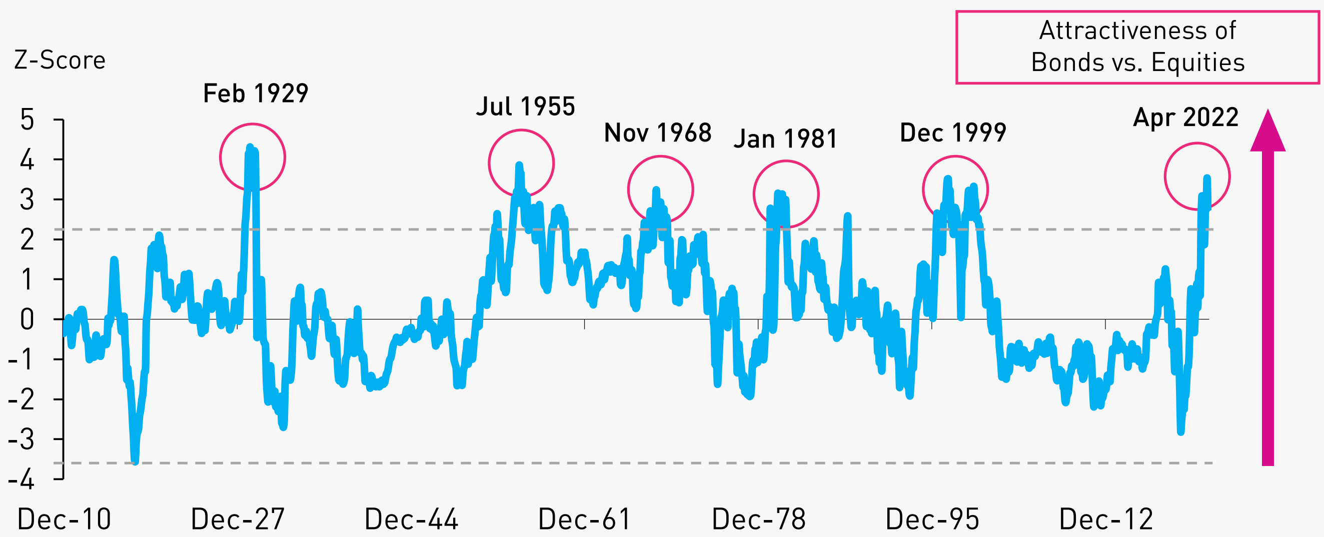
Data as of Nov. 30th, 2022. Source: Colliers Cap Rate Report, Q3 2022, Bank of Canada and Big 6 Banks

3 Credit vs. Equities

Bonds are the cheapest they have been to equities in 20+ years

The historical relationship between bond yields and the earnings yield of equities is 2-3 standard deviations away from the average. That is to say, from an income perspective, bonds are positioned much more favorably than equities. This disconnect has been driven by the dramatic increase in short-term interest rates, which means bond yields fall in the short-term, but could set the stage for higher returns in the long-term.

US Bond/Equity Yield Ratio (10 Yr Z-Score)



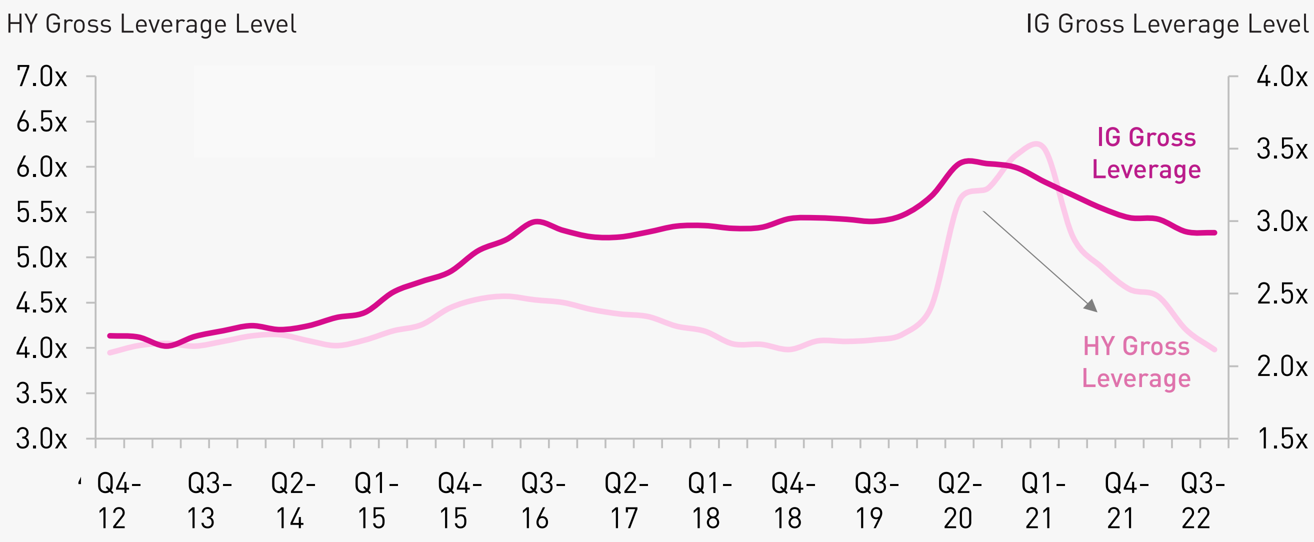
Date as of Dec. 30th, 2022.
Source: Absolute Strategy Research. US Bond Yield: Yield to maturity of 10-Year US government bond; Equity Yield = Dividend yield of S&P 500. Z-Score is calculated as the observed value at any certain time point minus average of the dataset, divided by the dataset's 10-year standard deviation.

4 Issuers Prepare for a Slowdown

Corporate borrowers have reduced leverage, meaning they are better positioned for a slowdown

Since the COVID-induced market crisis of 2020, corporate treasurers at both Investment Grade (IG) and High Yield (HY) rated companies have reduced leverage. In addition, many companies took advantage of low funding costs to extend maturities and refinance upcoming debt issues early. As such, corporations, particularly IG-rated ones, are heading into a period of slowdown well-positioned to weather the storm.

IG and HY Companies Have Reduced Leverage in Recent Quarters - Meaning They Are Better Positioned As We Enter an Economic Slowdown



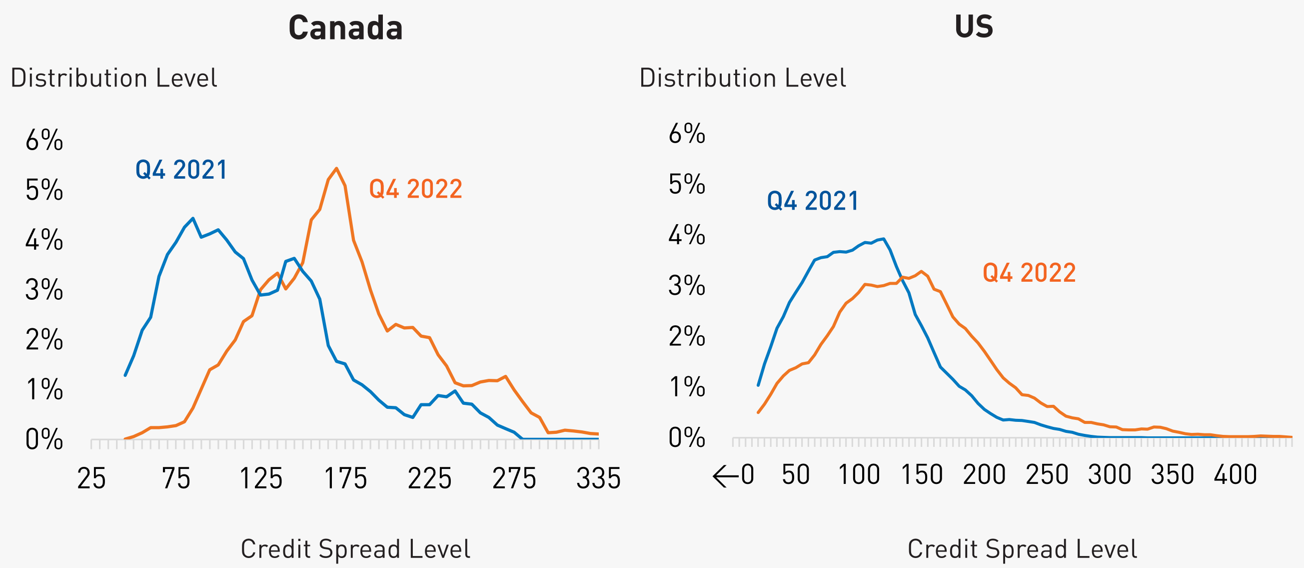
Data as of Sept. 30th, 2022.
Index = JP Morgan Global Credit Research Universe. Source: JP Morgan, CapitalIQ.

5 Better Opportunities

More dispersion in credit spreads means more opportunity from active management in Canada and the US

Given the mounting evidence of economic recession in the past year, credit spreads have widened across various markets and sectors. In addition, the spread differentials between issuers within the same sectors have also increased significantly. This wider range of valuations across the board can indicate more opportunities for an active manager to find relative value in corporate bonds through the security selection process.

There Is a Much Wider Range of Valuations in IG Credit Today Versus a Year Ago



Data as of Dec. 31st, 2022.
Source: Bloomberg. CA = Bloomberg Canada Corporate Total Return Index; US = Bloomberg US Corporate Total Return Index Unhedged USD

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RP Strategic Income Plus Fund and RP Alternative Global Bond Fund are mutual funds offered pursuant to a simplified prospectus in all applicable Canadian jurisdictions and are subject to applicable securities law and regulations. Performance presented for RP Strategic Income Plus Fund (RP Alternative Global Bond Fund) is for Class F of the fund. Class F units does not include embedded sales commissions, which results in higher performance relative to Class A units of the fund. Performance data for RP Strategic Income Plus Fund (RP Alternative Global Bond Fund) is calculated in accordance with NI 81-102.

The index performance comparisons presented are intended to illustrate the historical performance of the indicated strategies compared with that of the specified market index over the indicated period. The comparison is for illustrative purposes only and does not imply future performance. There are various differences between an index and an investment strategy or fund that could affect the performance and risk characteristics of each. Market indices are not directly investable and index performance does not account for fees, expense and taxes that might be applicable to an investment strategy or fund. "Forward-Looking" statements are based on assumptions made by RPIA regarding its opinion and investment strategies in certain market conditions and are subject to a number of mitigating factors. Economic and market conditions may change, which may materially impact actual future events and as a result RPIA's views, the success of RPIA's intended strategies as well as its actual course of conduct.

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