Enhancing Bond Returns with a Long/Short Credit Strategy

Long/Short credit strategies can help investors generate a higher-quality return in their portfolios without reaching into lower-quality bonds or assuming additional equity risk.

Employing this strategy allows investors to harness the resiliency of investment grade bonds, which historically have preserved capital and are less reliant on the direction of interest rates, while also increasing portfolio yield and return expectations.

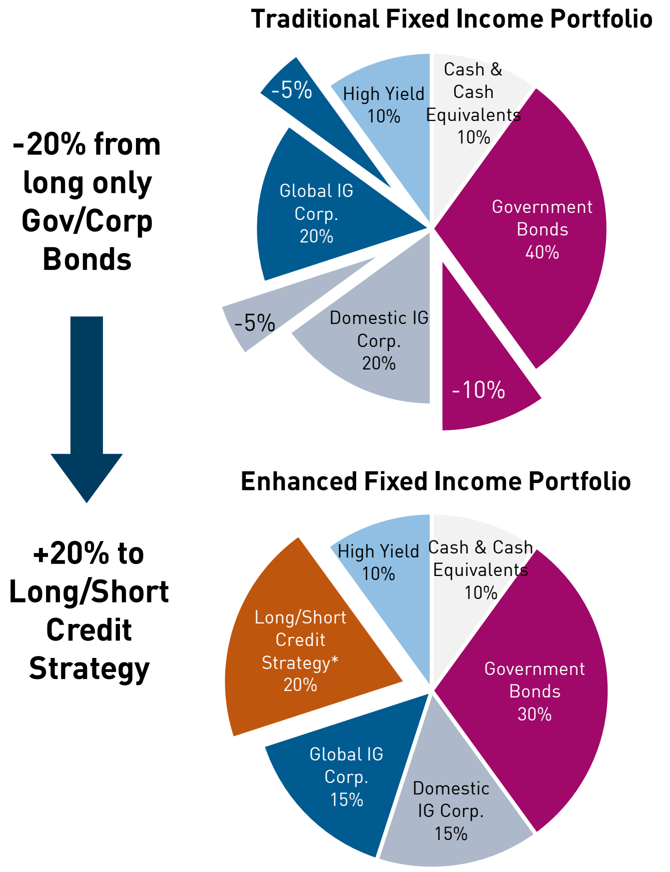
ADDING A 20% ALLOCATION TO LONG/SHORT CREDIT STRATEGY

What are the risks of investing in traditional fixed income?

- Rising yields or inflation expectations leading to negative performance.
- Tight credit spreads and less opportunity for capital gains.
- Higher default risk associated with bonds that provide higher yields.

How does a long/short credit strategy help mitigate risks?

- Ability to manage duration risk and limit losses from increasing yields.
- Can offer capital appreciation without the need for broad spread tightening.
- Can generate reasonable returns while investing primarily in investment grade credit.



* Long/Short Credit Strategy is represented by RP Debt Opportunities and RP Alternative Global Bond Fund.

The Outcome: The addition of a long/short credit strategy can allow for higher absolute returns to enhance investment goals without introducing equity or lower quality credit into the portfolio.

Historical Performance[1]

	YTD	1Yr	3Yr	5Yr	7Yr	10Yr
Enhanced FI Portfolio**	**3.9%**	**9.1%**	**1.0%**	**2.2%**	**2.7%**	**3.0%**
Traditional FI Portfolio	3.1%	8.1%	-0.2%	0.9%	1.9%	2.1%
FTSE Canada Universe Bond Index	2.3%	7.9%	-1.2%	0.1%	1.6%	2.0%

Higher absolute returns relative to Canada Bond Index and Traditional Fixed Income Portfolio.

Historical Portfolio Stats[2]

	Sharpe Ratio[3]	Beta[4]	Average Monthly Return	Average Monthly Drawdown
Enhanced FI Portfolio**	**0.81**	**0.64**	**0.35%**	**-0.74%**
Traditional FI Portfolio	0.51	0.75	0.27%	-0.82%
FTSE Canada Universe Bond Index	0.35	1.00	0.26%	-0.99%

Increased efficiency of returns (Sharpe Ratio) and average returns.

Decreased the average drawdown and beta to the index.

Correlation vs.	Canada Bonds	Global Bonds	US Equities	Global Equities
Enhanced FI Portfolio**	**0.85**	**0.82**	**0.50**	**0.51**
Traditional FI Portfolio	0.95	0.92	0.38	0.38
FTSE Canada Universe Bond Index	1.00	0.87	0.21	0.19

Decreased correlation to traditional Canadian Bonds while maintaining a low correlation to equity indices.

Source: RPIA, eVestment. Data as of 08/31/2024.
Please refer to Important Information for further analysis details.

IMPORTANT INFORMATION

** Performance used for Long/Short Credit Strategy in the Enhanced FI Portfolio consists of the performance of RP Debt Opportunities from October 2009 to June 2019, and the performance of RP Alternative Global Bond Fund (Class F) from July 2019 to August 2028. [1] Returns are as of August 31st, 2024; return periods greater than 1Yr are annualized. [2] Historical Portfolio Stats are calculated using monthly returns from October 2009 (inception of RP Debt Opportunities) to August 2024. [3] Risk Free Benchmark = Canadian 3Mo TBill. [4] Benchmark = FTSE Canada Universe Bond Index. Canada Bonds = FTSE Canada Universe Bond Index, Global Bonds = Bloomberg Barclays Global Aggregate Hedged (CAD), US Equities = S&P 500 Index, Global Equities = MSCI World Ex USA Equity Index.

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The "Enhanced FI" portfolio composition example is a hypothetical illustration and is presented with the benefit of hindsight. It is based on historical information pertaining to the RP Debt Opportunities strategy and RP Alternative Global Bond Fund and does not imply future events or investment performance. RPIA does not assure any of the hypothetical performance outcomes described. The index performance 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.

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