Global Fixed Income Experts

Review | Outlook

RP ALTERNATIVE GLOBAL BOND FUND

December 2022

OVERVIEW

1 RP Alternative Global Bond Fund has provided investors with positive absolute returns and meaningful diversification in 2021 and 2022.

2 The Fund’s dynamic hedging strategy, active trading approach, and opportunistic credit selection enabled the portfolio to preserve capital for investors.

3 We believe the Fund will be able to provide compelling relative and absolute performance in line with its stated long-run target return expectations in 2023.

INVESTMENT RESULTS REVIEW

The past two years have been extremely challenging for traditional fixed income investors. During this period, RP Alternative Global Bond Fund – Class F ("RP AGB" or the "Fund") gained +2.7%, while Canadian and Global corporate bond markets returned -5.7% and -7.9%, respectively.[1]

In 2022, the Fund generally positioned itself conservatively, but moved tactically to capture opportunities from the elevated market volatility. A key driver of RP AGB's ability to preserve capital was its utilization of a dynamic hedging strategy to mitigate the volatility in both rates and credit markets.[2] The hedging process searches for the cheapest yet most effective protection to manage losses in unexpectedly negative scenarios, while still allowing for the ability to pursue compelling returns through credit selection.

Although opportunities were scarce in fundamental upgrade stories, the team extracted value through credits with relative value catalysts and/or technical market tailwinds – especially within new issues that came to market with attractive concessions. This ability has been a key driver in providing returns that have a low correlation to traditional fixed income and equity markets, both of which endured tremendous volatility due to the rise in interest rates.

The Fund has also generated returns through its highly active approach by rotating among sectors, industries, credit ratings, and issuer capital structures to take advantage of the opaque and inefficient nature of corporate bond markets.

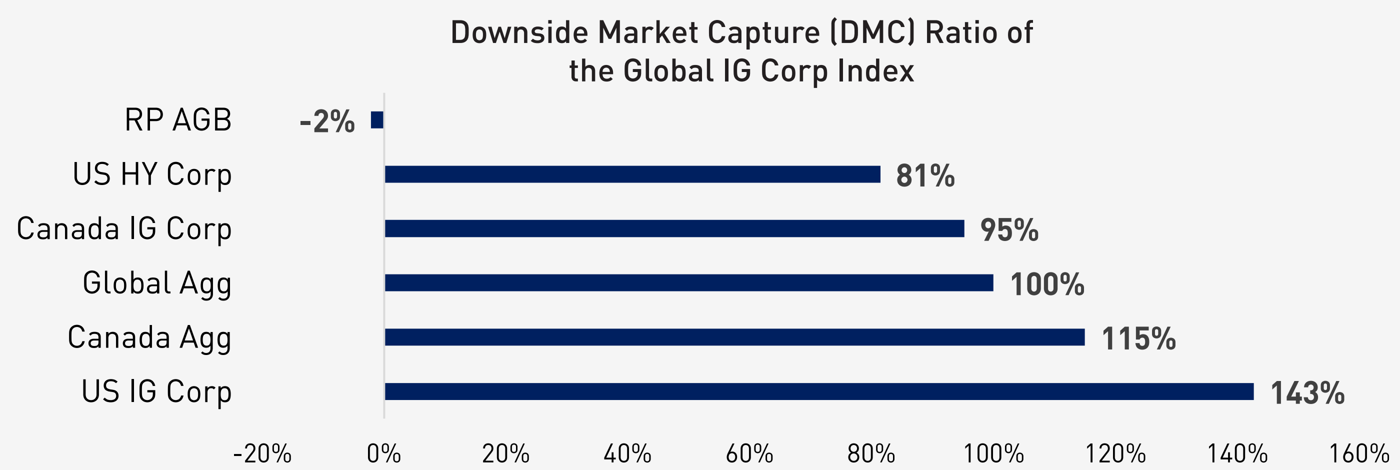
Positive Returns in a Challenging Bond Environment

Jan. 2021 – Dec. 2022	RP AGB	Global Agg.	Global IG Corp.	Canada Agg.	Canada IG Corp.	U.S. Agg.	U.S. IG Corp.
Total Annualized Return	+2.7%	-6.6%	-7.9%	-7.2%	-5.7%	-7.7%	-9.0%
Annualized Standard Deviation	2.8%	5.1%	7.3%	6.6%	5.6%	6.4%	8.6%
Max Drawdown[3]	-3.2%	-13.8%	-18.5%	-14.9%	-12.7%	-17.3%	-20.9%
Sharpe Ratio[4]	+0.6	Negative	Negative	Negative	Negative	Negative	Negative

Generated Higher Yield per unit of Interest Rate Risk

Jan. 2021 – Dec. 2022 (avg.)	RP AGB	Global Agg.	Global IG Corp.	Canada Agg.	Canada IG Corp.	U.S. Agg.	U.S. IG Corp.
Interest Rate Duration (yrs)	1.2	7.3	7.0	7.8	6.4	6.5	8.2
Yield	3.8%	1.9%	2.8%	2.6%	3.3%	2.6%	3.3%
Yield-to-Duration Ratio[5]	3.2x	0.3x	0.4x	0.3x	0.5x	0.4x	0.4x

Protected Investor Capital from Broad Negative Moves



The DMC Ratio is a measure of the manager's performance in down markets relative to the market itself. A value of 90% suggests the manager's loss is only nine-tenths of the market's loss during the selected time period. Generally, the lower the DMC Ratio, the better (If the manager's DMC Ratio is negative, it means that during that specific time period, the manager's return for that period was actually positive).

Maintaining a Low Correlation to Equity Indices

Correlation Matrix[6]	Canadian Prefs	Global Equities	Canadian Equities	U.S. Equities	European Equities	EM Equities
RP AGB	0.46	0.55	0.43	0.47	0.62	0.79

OUTLOOK

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

The good news is that we believe the reset in valuations has made fixed income, particularly corporate credit, attractive again, both on an absolute and relative basis. On an absolute basis, today's all-in yields can provide a margin of safety to bondholders and income that has not been obtainable since the Great Financial Crisis.

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.

Nonetheless, 2023 will usher in its own set of challenges, and markets will likely remain volatile. While inflation and rate hikes may be peaking, central banks remain committed to tightening financial conditions, and the implications for asset valuations and the real economy remain uncertain. As a result, 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.

We believe RP Alternative Global Bond Fund is well-positioned to continue providing investors with the necessary active management to achieve attractive risk-adjusted returns. While current market dynamics still demand cautious credit positioning, we believe the increase in dispersion and valuations within sectors/industries provides attractive risk-reward relative value opportunities. We stand ready to take advantage of these opportunities and are excited about the potential for another strong year in 2023.

Indices Used

Sources: Bloomberg, FTSE Russell, S&P Dow Jones Indices. Data as of Dec. 31, 2022.
Global Agg. = Bloomberg Global Aggregate Bond Index Hedged (CAD)
Global IG Corp. = Bloomberg Global Aggregate Corporate Bond Index Hedged (CAD)
Canada Agg. = FTSE Canada Universe Bond Index, Bloomberg Canada Aggregate Bond Index
Canada IG Corp. = FTSE Canada All Corporate Bond Index, Bloomberg Canada Aggregate Corporate Bond Index
U.S. Agg. = Bloomberg U.S. Aggregate Bond Index Hedged (CAD)
U.S. IG Corp. = Bloomberg U.S. Aggregate Corporate Bond Index Hedged (CAD)
Canadian Prefs = S&P/TSX Preferred Share Index
World Equities = MSCI World Index
Canadian Equities = S&P/TSX Composite Index
U.S. Equities = S&P 500 Index
European Equities = MSCI Europe Index
EM Equities = MSCI Emerging Markets Index

Total Returns	1-Yr	2-Yr	3-Yr	Since Inception*
RP AGB	1.0%	2.7%	4.5%	5.2%
Global Agg.	-11.5%	-6.6%	-2.8%	-1.9%
Global IG Corp.	-14.6%	-7.9%	-3.1%	-1.8%
Canada Agg.	-11.7%	-7.2%	-2.2%	-1.8%
Canada IG Corp.	-9.9%	-5.7%	-1.1%	-0.6%
U.S. Agg.	-13.4%	-7.7%	-2.9%	-1.9%
U.S. IG Corp	-16.3%	-9.0%	-3.3%	-1.8%

** RP AGB Inception = Jul. 8, 2019. Data as of Dec. 31, 2022.*

Endnotes

[1]**Source:** FTSE Russell, Bloomberg. Data as of Dec. 31, 2022.

[2]**Note:** RP AGB incorporates an active duration overlay and adjusts the interest rate risk embedded in the fund – either shortening or lengthening the underlying duration exposure.

[3]**Max Drawdown:** The maximum of the peak-to-trough declines during a specific period. Going sequentially through time with a fund/index cumulative return, it is the “loss” from the highest portfolio value to its lowest point.

[4]**Sharpe Ratio:** Computed by subtracting the return of the risk-free index from the return of the fund/index to determine the risk-adjusted return. This excess return is then divided by the standard deviation of the fund/index. It is a measurement of the efficiency utilizing the relationship between annualized risk-free return and standard deviation. Risk-Free Index = Canadian 3-Month T-Bill.

[5]**Yield-to-Duration Ratio:** A measure of yield per unit of interest rate risk. Computed by dividing the yield to maturity of the portfolio by the duration of portfolio.

[6]**Note:** Correlations are calculated using monthly returns for the period ranging from Jan. 2021 to Dec. 2022.

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RP Alternative Global Bond Fund is a mutual fund offered pursuant to a simplified prospectus in all applicable Canadian jurisdictions and is subject to applicable securities law and regulations. Investor level fund performance may differ from the strategy level performance presented.

"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.

RPIA managed strategies and funds carry the risk of financial loss. Performance is not guaranteed and past performance may not be repeated. Unless indicated otherwise, all returns are presented as of the last business day of the stated month and returns presented for periods greater than one year are annualized.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Indicated rates of return include changes in share or unit value and reinvestment of all dividends or distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any security holder that would have reduced returns. Returns for time periods of more than one year are historical annual compounded total returns while returns for time periods of one year or less are cumulative figures and are not annualized. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

Performance presented for RP Alternative Global Bond Fund is for Class F of the respective fund. Class F units do not include embedded sales commissions, which results in higher performance relative to Class A units of the fund. Performance data for 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.