FGP CORE PLUS+ BOND FUND

September 30, 2024

The FGP Core Plus Bond Fund returned 4.53% in the quarter, compared with the FTSE Canada Universe Bond Index return of 4.66%. So far this year, the Fund has returned 8.12%, compared with the benchmark's return of 4.27%.

As we continue to move through 2024, the broad economic environment remains somewhat unchanged from the previous quarter. Overall global growth remains in positive territory, continuing to be led by the U.S. economy. Inflation is much lower in many global economies so far in 2024 than in 2022 and 2023. In Canada, the latest measure of annual total inflation fell back down to 2%, which is right at the Bank of Canada's (the BoC) target for the first time in over three years.

This situation allowed the BoC to lower its policy interest rate in September for the third consecutive time. We believe there are more cuts coming as underwhelming growth in the Canadian economy and a cooling, but still healthy, labour market caught the attention of our central bank earlier this summer.

Across the curve, yields on Canadian government bonds fell by approximately 20 to 100 basis points depending on the maturity of the bond. As a result of the move in yields, prices in many fixed income securities rose quarter-over-quarter. The most notable impact was seen at the front end of the curve as yields here reacted in part to the BOC's monetary policy change but were also influenced by the sizable declines in interest rates in other global fixed income markets, specifically the U.S. Treasury market.

Given that the portfolio has a very modest active shorter-than-benchmark duration position, interest rate moves provided a small negative contribution to relative performance.

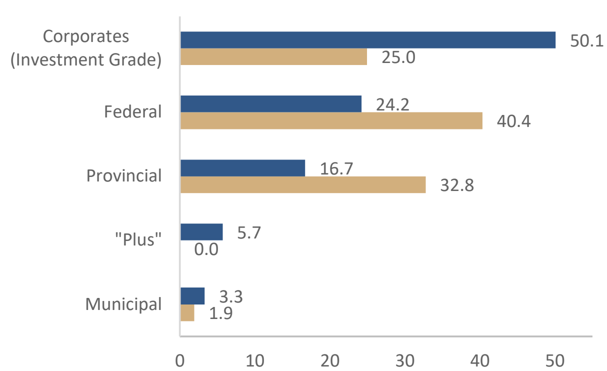
Looking beyond interest rates, Canadian credit was a reliable performer during the quarter, with corporate, provincial, and municipal credit spreads all showing signs of stability, thereby allowing the additional yield these investments provide to support all-in performance generation.

Following several quarters where investments within these key return generating sectors drove notable positive contributions for the portfolio, the impact during the third quarter was more mixed as some of the current holdings generated positive absolute performance but lagged behind the overall index.

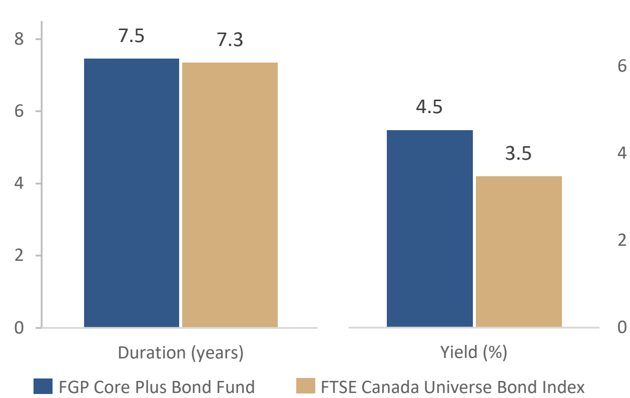
Additionally, the portfolio's mild underperformance during the quarter was also constrained by current allocations within the mortgage market segment. These investments also generated positive absolute returns during the quarter but lagged behind the portfolio's benchmark.

We remain constructive on Canadian fixed income and are seeing good opportunities present themselves for the diligent investor. We are prudently taking advantage of new opportunities at a measured pace as there is still much uncertainty in the economic landscape and the direction of interest rates across the curve. We remain focused on downside protection as we navigate this unique and volatile market where the risk tone of the market will likely remain driven by inflation, fears of a recession, and ongoing geopolitical news.

Sector Allocations (%)
(as at September 30, 2024)



Portfolio and Benchmark Characteristics
(as at September 30, 2024)



Source for both graphs: PC Bond Analytics

The Foyston, Gordon & Payne Inc. (FGP) performance figures and portfolio statistics shown in this report are for the FGP Pooled Funds. Client returns may vary due to cash flow timing and client-specific constraints.

Investment returns and assets under management are expressed in Canadian dollars unless otherwise noted. Investment returns are gross of investment management fees, net of fund expenses for FGP Pooled Funds, and include reinvestment of dividends and income. Returns are time weighted and annualized for periods greater than one year. Values change frequently and past investment performance may not be repeated.

These views are subject to change at any time based upon market or other conditions and are current as of September 30, 2024.

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