

The FGP Corporate Bond Fund returned 1.92% in the quarter, compared with the FTSE Canada All Corporate Bond Index return of 1.81%.

The first quarter of 2025 continued to see volatility and uncertainty, largely driven by the *America First Trade Policy* and its associated tariffs. These developments caused fluctuations in financial markets and added to the economic uncertainty, particularly in Canada, which faces ongoing trade tensions with its largest partner, the U.S. In response to these pressures, the Bank of Canada (BoC) cut its key policy rate by a total of 50 basis points to 2.75%. This marked the sixth and seventh consecutive reductions by the central bank and had a direct impact on fixed income markets, where Canadian bonds posted positive returns in the quarter.

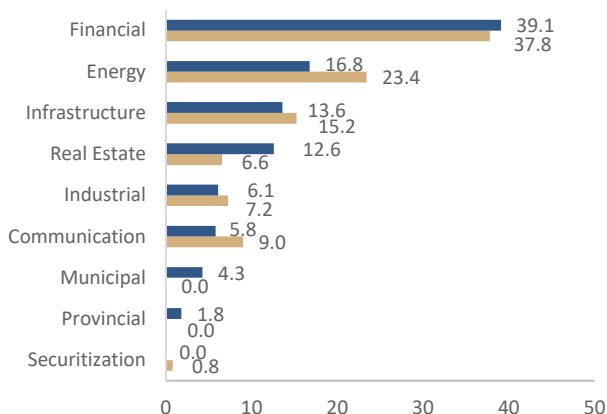
Yields declined across the yield curve, with short-term bonds seeing more significant drops in line with the BoC's rate cuts. Longer-term bond yields also declined, though to a lesser extent, as they were influenced by developments in global fixed income markets, particularly U.S. Treasuries. Given the increasing level of uncertainty in financial markets, the duration position of the strategy remained aligned with that of the benchmark, meaning interest rate movements had little impact on relative performance during the quarter.

In the credit markets, Canadian corporate bonds showed signs of softening after strong performances in previous quarters. Duration-adjusted credit spreads widened by approximately 10 basis points in the quarter.

The widening spreads were mostly offset by the additional yield offered by these types of investments as well as lower rates across the yield curve which translated into both positive absolute returns and relative outperformance. Hybrid bond capital securities experienced modest losses during the quarter. However, we sold most of these securities after the aggressive rally their spreads experienced in 2024. We redeployed the funds into high-quality credit investments to increase the portfolio's defensiveness during a period of elevated uncertainty.

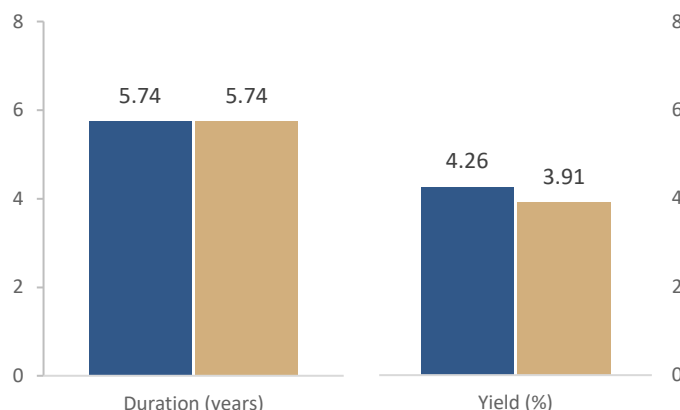
Looking ahead through the remainder of 2025, despite the potential challenges posed by ongoing U.S.-Canada trade tensions, our outlook for Canadian fixed income remains positive. Expectations of stable economic growth, the BoC's cautious monetary policies, and relatively higher starting yields offered by Canadian bonds provide a solid foundation. However, given the ongoing economic uncertainty, potential inflation pressures, and geopolitical risks, we remain cautious and will take advantage of new opportunities at a measured pace. Our focus remains on downside protection while navigating a volatile market, where inflation, recession fears, and global trade tensions are likely to shape investor sentiment.

Sector Allocations (%)
(as at March 31, 2025)



Source for both graphs: PC Bond Analytics

Portfolio and Benchmark Characteristics
(as at March 31, 2025)



■ FGP Corporate Bond Fund ■ FTSE Canada All Corporate Bond Index

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 March 31, 2025.

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