The FGP Corporate Plus Bond Fund returned 1.96% 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.

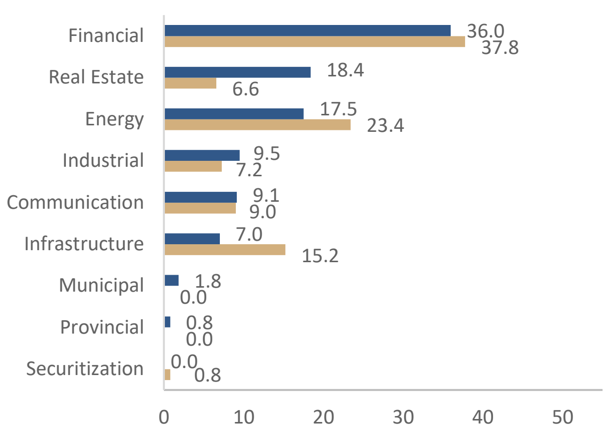
Yields declined across the yield curve, with short-term bonds seeing more significant drops in line with the BoC's rate cuts. Longer-term bond yields also declined, though to a lesser extent, as they were influenced by developments in global fixed income markets, particularly U.S. Treasuries. Given the 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 curve which translated into both positive absolute returns and relative outperformance. Hybrids had a mixed quarter as bond capital securities were weak while preferred share capital securities shrugged off much of the volatility and delivered modestly positive returns. 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 defensiveness during a period of elevated uncertainty.

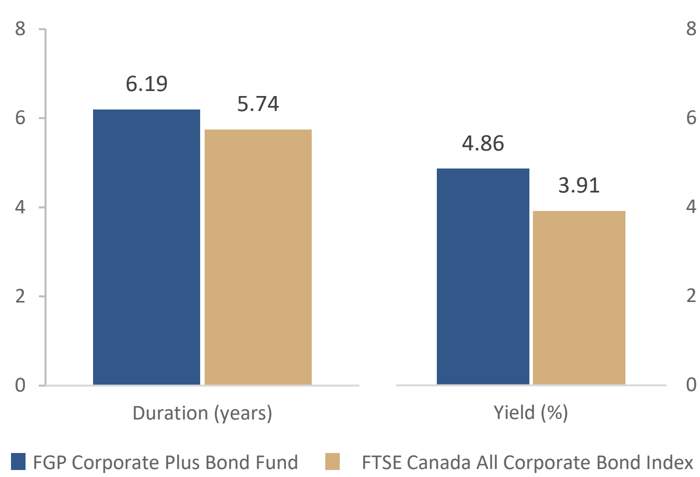
Looking ahead through the remainder of 2025, despite the potential challenges posed by ongoing U.S.-Canada trade tensions, our outlook for Canadian fixed income remains positive. Expectations of stable economic growth, the BoC's cautious monetary policies, and relatively higher starting yields offered 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)



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.

Forecasting represents predictions of market prices and/or volume patterns utilizing varying analytical data. It is not a guarantee of the performance of the stock market, or of any specific investment.

This material is not an offer, solicitation or recommendation to purchase any security. Nothing contained in this material is intended to constitute legal, tax, securities or investment advice, nor an opinion regarding the appropriateness of any investment, nor a solicitation of any type. Securities mentioned herein are not to be construed as recommendations to buy or sell and may not be representative of FGP accounts/portfolios as a whole.

The general information contained in this publication should not be acted upon without obtaining specific legal, tax and investment advice from a licensed professional. The information, analysis and opinions expressed herein are for general information only and are not intended to provide specific advice or recommendations for any individual entity.

While the information included in this Commentary is obtained from sources that FGP believes to be reliable, we do not guarantee its accuracy, and the information may be incomplete or condensed.

S&P/TSX Index Data Source: TSX Copyright (2025) TSX Inc. All Rights Reserved.

PC Bond is Copyright © by FTSE Global Debt Capital Markets Inc. All rights reserved. The information contained herein may not be redistributed, sold, modified or used to create any derivative work without the prior written consent of FTSE Global Debt Capital Markets Inc.