

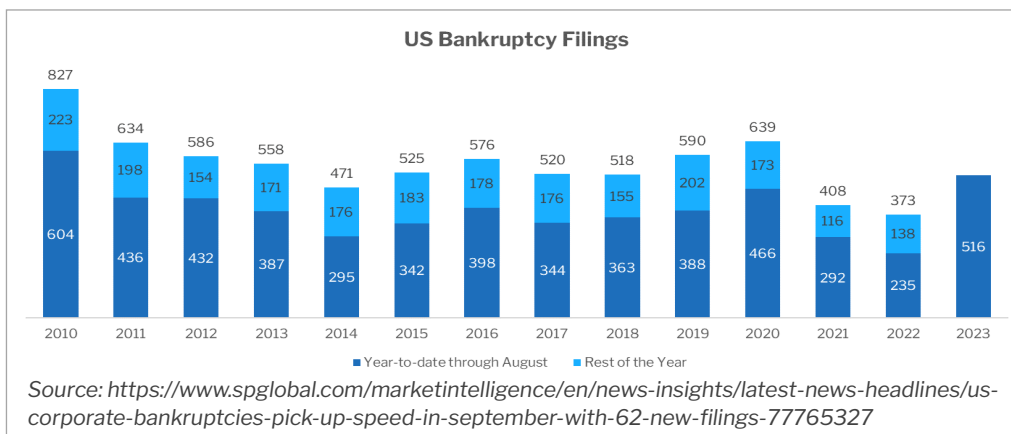
## Executive Summary — Q3 2023

### Market Signals

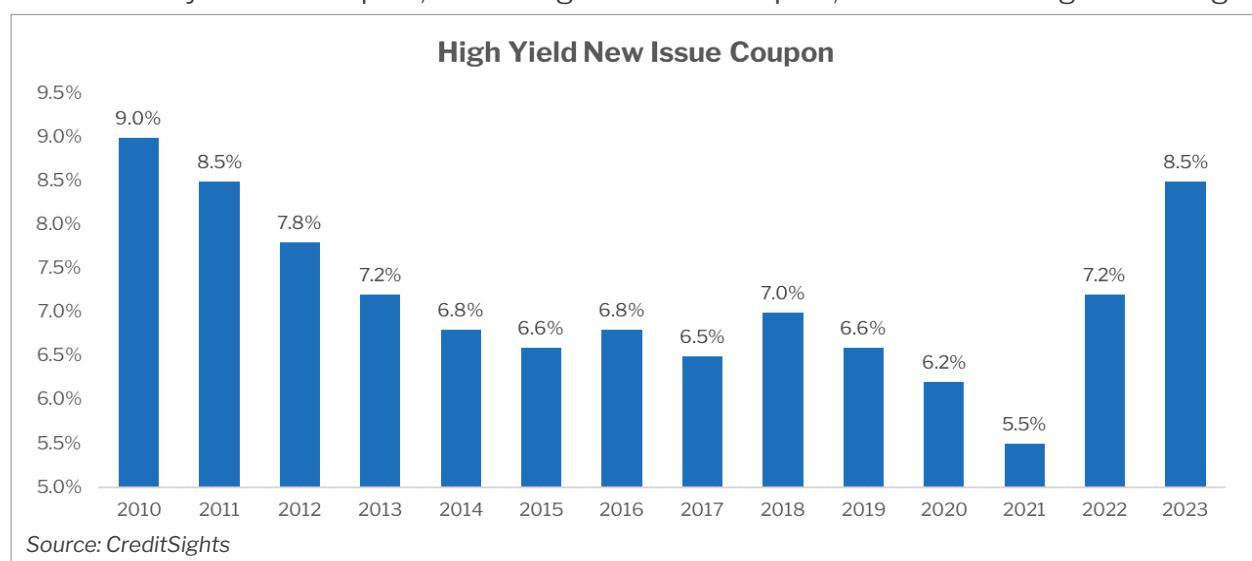
The Fund actively considers significant events that influence credit markets. Here are some intriguing data points:

**The Rising Tide of Bankruptcies:** By September 30, 2023, bankruptcy cases had reached 516, surpassing the *total* number cases for several of the last few years. Notably, we are observing the same number of filings in 2023 as in 2020 when the global economy shut down. Recently, WeWork Inc. missed a \$95 million coupon payment and Rite Aid Corporation has finally filed for Chapter 11.

Amidst these prevailing bankruptcy trends, credit spread remains tight and potentially vulnerable to widening.



**Surging Cost of Debt:** Over the last 18 months, inflation has been rising steadily, and interest rates have been increasing aggressively. This has caused borrowing costs to shoot up significantly. The Fund is concerned that these elevated costs of capital might soon begin to pressure the profit margins of even well-established companies. Intriguingly, despite worsening financial conditions for many companies, the overall market maintains an optimistic outlook. The Fund refuses to believe that the world's Central Bankers can raise rates like they have in the past, increasing overall cost capital, without breaking something.



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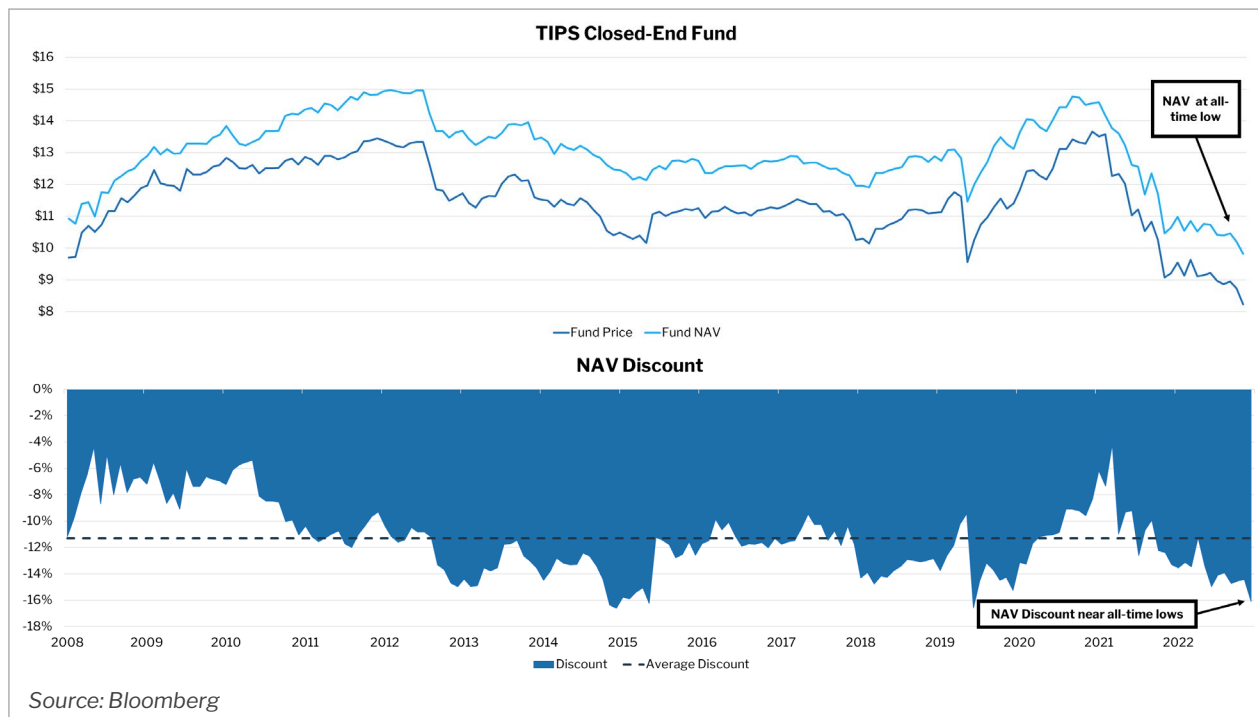
### Portfolio Activity

The Fund is currently identifying investment opportunities in two key areas. The first is credit markets where fundamentals are improving, but market sentiment is overly pessimistic, causing security values to be undervalued. The second is asset classes that have fallen out of favor, with prices at multi-year lows. Here are some highlights of the Fund's investment focus.

**TIPS Closed-End Fund:** In August, the Fund invested in a couple of closed-end funds, which invest in United States Treasury Inflation Protected Securities (TIPS). Here's why the Fund is enthusiastic about these opportunities:

- 1) They are trading at a 15% discount to NAV.
- 2) The underlying dividend yields hover around an all-time high of 12% to 13% (breakeven yield trading at high value of 2.3%).
- 3) The NAV is attractively priced, with minimal credit risk thanks to U.S. government backing.

The Fund's outlook considers both short to medium-term inflation reduction and the potential resurgence of American inflation, grounded in a variety of factors.



**IAMGOLD:** IAMGOLD, a Canadian-based gold miner, is progressing with the Cote Mine construction project. Despite financial challenges in 2022, the company's recovery, boasting USD \$1.2 billion in available liquidity, positions it well. The Fund has invested in the discounted 2028 bonds of IAMGOLD which offer a yield to maturity of approximately 12%. The anticipated completion of the Cote Gold mine, expected to become the 3rd largest in Canada, adds significant value. In a distressed sale scenario, the proceeds could cover the balance sheet debt, presenting an attractive risk/reward proposition.

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**Pemex:** The Fund has taken a position in Petroleos Mexicanos (Pemex) bonds, which are currently trading below 74 cents and 60 cents on the dollar. These bonds offer a double digit yield of 11% due to recent operational issues and uncertainty from the Mexican government in addressing their significant debt maturity. The credit spread on these bonds is historically high at 650 basis points or more. Despite Pemex's challenges, the Fund sees potential value in these bonds, especially if the central government provides support, either through reduced cash transfers or credit assistance, which could be attractive for investors in Pemex' dollar bonds.

**Emergent BioSolutions:** The Fund has invested in the distressed unsecured bonds of U.S. specialty pharmaceutical firm, Emergent BioSolutions, trading between 40-50 cents on the dollar with a yield to maturity 20%+. EBS, a key pharmaceutical supplier for the U.S. government, faced operational challenges in 2022, specifically within its manufacturing sector. Now, after its second wave of cost reductions, the company aims to achieve positive cash flow. This summer, EBS introduced an over-the-counter (OTC) NARCAN nasal spray, a potential game-changer in countering opioid overdoses amidst the ongoing North American opioid crisis. The company has a revenue target of \$1 billion, which the Fund views as undervalued relative to its debt.