

# Interim Management Report of Fund Performance

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**ADDENDA INCOME FOCUS FUND**

June 30, 2024

This interim management report of fund performance contains financial highlights but does not contain the interim financial report of the investment fund. You can get a copy of the interim financial report at your request, and at no cost, by calling toll-free 1 866 908-3488, by writing to us at 800 René-Lévesque Blvd. West, Suite 2750, Montréal, Québec H3B 1X9, by visiting our website at [addendacapital.com](http://addendacapital.com), by visiting SEDAR+ at [sedarplus.ca](http://sedarplus.ca) or by contacting your advisor. You may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

#### **Notes on Forward-looking Statements**

This report may contain forward-looking statements concerning the Fund, its future performance, its strategies or prospects or about future events or circumstances. Such forward-looking statements include, among others, statements with respect to our beliefs, plans, expectations, estimates and intentions. The use of the expressions “foresee”, “intend”, “anticipate”, “estimate”, “assume”, “believe” and “expect” and other similar terms and expressions indicate forward-looking statements. By their very nature, forward-looking statements imply the use of assumptions and necessarily involve inherent risks and uncertainties. Consequently, there is a significant risk that the explicit or implicit forecasts contained in these forward-looking statements might not materialize or that they may not prove to be accurate in the future. A number of factors could cause future results, conditions or events to differ materially from the objectives, expectations, estimates or intentions expressed in such forward-looking statements. Such differences might be caused by several factors, including changes in Canadian and worldwide economic and financial conditions (in particular interest and exchange rates and the prices of other financial instruments), market trends, new regulatory provisions, competition, changes in technology and the potential impact of conflicts and other international events. The foregoing list of factors is not exhaustive. Before making any investment decision, investors and others relying on our forward-looking statements should carefully consider the foregoing factors and other factors. We caution readers not to rely unduly on these forward-looking statements. We assume no obligation to update forward-looking statements in the light of new information, future events or other circumstances unless applicable legislation so provides.

# Addenda Income Focus Fund

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## Management Discussion of Fund Performance

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### Results of Operations

The Addenda Income Focus Fund (Series A) returned 0.61% for the 6 months ending June 30, 2024 while the benchmark index, composed of 70% FTSE Canada Universe Bond Index, 10% Bloomberg US High Yield 2% Issuer Cap Index (C\$ hedged), 10% S&P/TSX Composite Index, 5% S&P 500 Index, and 5% MSCI EAFE Net (CAD) Index, posted a 1.95% return. The Fund underperformed the benchmark due to weak relative performance from International and Canadian equities. Asset allocation was a positive source of added value as the Fund was overweight equities and correspondingly underweight fixed income allocations, although an underweight allocation to high yield bonds did hurt overall fixed income performance. Unlike the benchmark, the Fund's performance is calculated after fees and expenses. Please refer to the "Past Performance" section for the returns by series, which may vary because of differences in management fees and expenses.

At the end of June 2024, the Fund was underweight in its Canadian fixed income component with a modest allocation to cash serving as a defensive cushion. It also held allocations to global and high yield securities to capture additional yield. The Fund is overweight the equity component overall relative to the benchmark, with the largest overweight in US equities followed by Canadian and a close to neutral allocation to international equities. The outlook for strong economic performance in the US and support from Central Bank rate cuts drives the overweight allocation to equities.

There were only modest changes made during the first half of 2024. Government of Canada holdings were reduced while adding to several corporate and Provincial issues opportunistically. A new 10-year bond issue from First Nations Finance Authority (FNFA) is an example of an additional impact holding in the portfolio. The FNFA is a centralized borrowing agency for eligible First Nations across Canada.

### Recent Developments

The Federal Reserve kept its policy rate unchanged at its June meeting at 5.5% again mentioning it needed more assurance inflation was heading toward target, despite very low unit labour costs growth which is a leading indicator of inflation. By far, the Federal Reserve has the most restrictive monetary policy among the G-7 countries. In Canada, falling inflation rates were enough to convince the Bank of Canada to lower its policy rate to 4.75% from 5.0% despite wage costs pressures and poor productivity growth which are not consistent with price stability. Markets are still expecting the Bank of Canada will cut its policy rate twice by the end of the year roughly the same as market expectations for the Fed. Bond market interest rates fell both in Canada and in the US in response to deteriorating economic indicators and better inflation readings south of the border. US stock markets reached new all-time high levels on these lower market rates while the Canadian market showed some weakness toward the end of the quarter partly based on lower commodity prices.

### Related Party Transactions

Addenda Capital Inc. ("Addenda") is the Manager and Portfolio Manager of the Fund. Addenda is controlled by Co-operators Financial Services Limited ("CFSL"), a wholly-owned subsidiary of Co-operators Group Limited. Addenda pays the "Operating Expenses" (defined below) of the Fund other than its "Fund Expenses" (defined below), in exchange for the Fund's payment to the Manager of annual fixed-rate administration fees with respect to each series of the Fund.

The administration fees are equal to a percentage of the net asset value of each series of the Fund calculated and paid in the same manner as the Fund's management fees. The Operating Expenses include, but are not limited to: audit and legal fees; transfer agency and recordkeeping costs; accounting and valuation fees; safekeeping and custodial costs; trustee services costs; and the costs of preparing and distributing financial reports, prospectuses, annual information forms, fund facts, continuous disclosure materials and other investors communication.

In addition to administration fees, the Fund shall also pay certain Fund Expenses, namely: taxes (including, without limitation, GST and PST or HST, capital taxes, income taxes and withholding taxes); bank charges, borrowing and interests; termination fees; regulatory filing fees; costs related to the Independent Review Committee ("IRC"); Operating Expenses incurred outside of the normal course of business of the Fund; costs of compliance with newly adopted securities regulations; and costs associated with portfolio transactions, brokerage fees and other trading expenses.

The Fund also pays annual management fees to Addenda as consideration for its services.

For more details on the Fund's fees and expenses, please refer to the "Fees and Expenses" section in the Simplified Prospectus.

Addenda has established the IRC for the Fund in accordance with the requirements of *National Instrument 81-107 - Independent Review Committee for Investment Funds* in order to review conflicts of interest as they relate to investment fund management. The Fund did not rely on an approval, positive recommendation or standing instruction from the Fund's IRC with respect to any related party transactions in the period.

As at June 30, 2024, CFSL held 10,190,018 Fund securities for a value of \$101,974,565, which represented 98.99% of the net asset value of the Fund at that date. Transactions between CFSL and the Fund were carried out in the normal course of business and at the Fund's net asset value as at the transaction date.

As a result, the Fund may be subject to large investor risk as discussed in the Simplified Prospectus. Addenda manages this risk to reduce the possibility of any adverse effect on the Fund or on its investors, through such processes as requiring advance notice of large redemptions and large transaction fee.

# Addenda Income Focus Fund

## Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the accounting periods shown.

### Net Assets per Unit<sup>(1)</sup>

Series A	June 30 2024 \$	December 31 2023 \$	December 31 2022* \$
<b>Net Assets, beginning of period</b>	<b>9.37</b>	<b>9.20</b>	<b>—</b>
<b>Increase (decrease) from operations:</b>			
Total revenue	0.16	0.33	0.32
Total expenses	(0.07)	(0.14)	(0.01)
Realized gains (losses) for the period	(0.02)	(0.12)	(0.33)
Unrealized gains (losses) for the period	0.05	0.91	(2.72)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>0.12</b>	<b>0.98</b>	<b>(2.74)</b>
<b>Distributions:</b>			
From income (excluding dividends)	(0.07)	(0.33)	(0.07)
From dividends	—	(0.11)	(0.03)
From capital gains	—	—	—
Return of capital	—	—	—
<b>Total Distributions<sup>(3)</sup></b>	<b>(0.07)</b>	<b>(0.44)</b>	<b>(0.10)</b>
<b>Net Assets, end of period</b>	<b>9.36</b>	<b>9.37</b>	<b>9.20</b>

### Net Assets per Unit<sup>(1)</sup>

Series F	June 30 2024 \$	December 31 2023 \$	December 31 2022* \$
<b>Net Assets, beginning of period</b>	<b>10.03</b>	<b>9.52</b>	<b>—</b>
<b>Increase (decrease) from operations:</b>			
Total revenue	0.16	0.32	0.24
Total expenses	(0.04)	(0.09)	(0.07)
Realized gains (losses) for the period	(0.04)	(0.15)	(0.26)
Unrealized gains (losses) for the period	0.02	0.67	(0.60)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>0.10</b>	<b>0.75</b>	<b>(0.69)</b>
<b>Distributions:</b>			
From income (excluding dividends)	(0.12)	(0.21)	(0.12)
From dividends	—	(0.03)	(0.04)
From capital gains	—	—	—
Return of capital	—	—	—
<b>Total Distributions<sup>(3)</sup></b>	<b>(0.12)</b>	<b>(0.24)</b>	<b>(0.16)</b>
<b>Net Assets, end of period</b>	<b>10.01</b>	<b>10.03</b>	<b>9.52</b>

\* For the period from March 28, 2022 (beginning of operations) to December 31, 2022.

<sup>(1)</sup> This information is derived from the Fund's unaudited interim financial statements and audited annuals financial statements.

<sup>(2)</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.

<sup>(3)</sup> Distributions were reinvested in additional units of the Fund.

## Ratios and Supplemental Data

Series A	June 30 2024	December 31 2023	December 31 2022*
<b>Total Net Asset Value ('000s of \$)<sup>(1)</sup></b>	<b>1,029</b>	<b>183</b>	<b>2</b>
<b>Number of Units Outstanding<sup>(1)</sup></b>	<b>109,950</b>	<b>19,561</b>	<b>264</b>
<b>Management Expense Ratio (%)<sup>(2)</sup></b>	<b>1.51</b>	<b>1.46</b>	<b>0.07</b>
<b>Management Expense Ratio before waivers or absorptions (%)</b>	<b>1.51</b>	<b>1.46</b>	<b>0.07</b>
<b>Trading Expense Ratio (%)<sup>(3)</sup></b>	<b>0.01</b>	<b>0.02</b>	<b>0.06</b>
<b>Portfolio Turnover Rate (%)<sup>(4)</sup></b>	<b>36.55</b>	<b>54.79</b>	<b>66.62</b>
<b>Net Asset Value per Unit (\$)</b>	<b>9.36</b>	<b>9.37</b>	<b>9.20</b>

# Addenda Income Focus Fund

## Ratios and Supplemental Data

Series F	June 30 2024	December 31 2023	December 31 2022*
Total Net Asset Value ('000s of \$) <sup>(1)</sup>	101,983	100,950	93,497
Number of Units Outstanding <sup>(1)</sup>	10,190,019	10,067,546	9,819,275
Management Expense Ratio (%) <sup>(2)</sup>	0.83	0.82	0.80
Management Expense Ratio before waivers or absorptions (%)	0.83	0.82	0.80
Trading Expense Ratio (%) <sup>(3)</sup>	0.01	0.02	0.06
Portfolio Turnover Rate (%) <sup>(4)</sup>	36.55	54.79	66.62
Net Asset Value per Unit (\$)	10.01	10.03	9.52

\* For the period from March 28, 2022 (beginning of operations) to December 31, 2022.

<sup>(1)</sup> This information is provided as at the last day of the accounting period shown.

<sup>(2)</sup> Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.

<sup>(3)</sup> The trading expense ratio represents total commissions and other Fund transaction costs expressed as an annualized percentage of daily average net asset value during the period.

<sup>(4)</sup> The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

## Management Fees

The Fund pays annual management fees to the Fund manager for its management services. The fees are calculated based on a percentage of the Fund's daily net asset value before applicable taxes and are paid on a monthly basis. A portion of the management fees paid by the Fund covers maximum annual trailer fees and sales commissions paid to brokers. The remainder of the management fees primarily covers investment management and general administration services. The breakdown of major services provided in consideration of the management fees, expressed as an approximate percentage of the management fees is as follows:

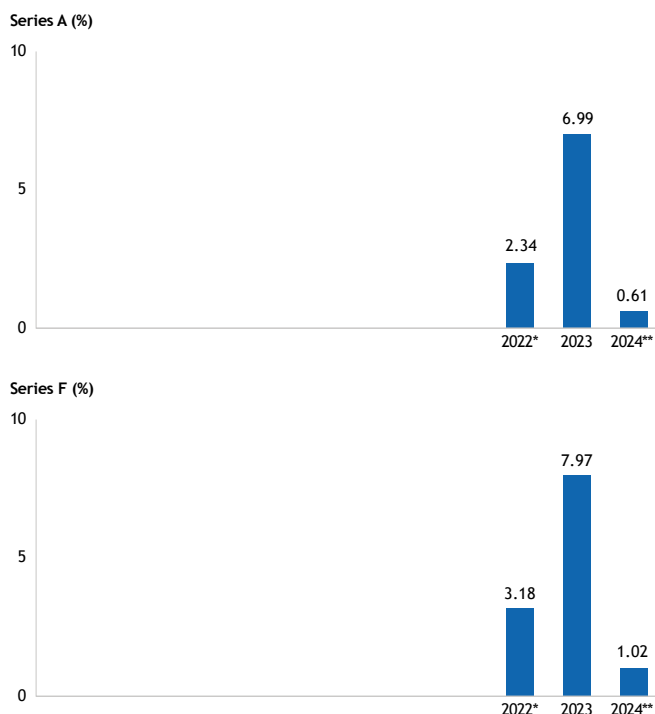
	Management Fee (%)	Breakdown of Services	
		Investment Advisory and Other Fees (%)	Trailer Fee (%)
Series A	1.20	41.67	58.33
Series F	0.50	100.00	N/A

## Past Performance

Performance data assumes that all distributions of each series of the Fund for the periods shown were reinvested in additional Fund units. However, it does not take into account purchases, redemptions, investments or other optional charges, and returns would be lower if it did.

The past performance of each series of the Fund is not necessarily indicative of future performance.

## Annual Performance (%)



\* Beginning of operations on March 28, 2022

\*\* Returns for the period from January 1, 2024 to June 30, 2024

These graphs present the annual performance of each series of the Fund for each fiscal year shown and illustrate the evolution of each series of the Fund from one year to the next. These graphs also indicate, in percentage terms, how the value of an investment made on the first day of each fiscal year would have evolved as of the last day of that fiscal year. The last column shows the total performance of each series of the Fund for the interim period. Returns may differ from one series to another for a number of reasons, including if the series was not issued and outstanding for the entire period under review and because of the different levels of management fees and expenses.

# Addenda Income Focus Fund

## Summary of Investment Portfolio

The investments and percentages will change over time due to ongoing portfolio transactions and market movements. A quarterly update of the Summary of Investment Portfolio is available and may be obtained by asking your representative for a copy, contacting the Manager, Addenda, at 1 866 908-3488 or [mutualfunds@addendacapital.com](mailto:mutualfunds@addendacapital.com), or by visiting [addendacapital.com](http://addendacapital.com) or [sedarplus.ca](http://sedarplus.ca).

### Top 25 Investments

As at June 30, 2024

Security	% of net asset value
1. NEI Global Impact Bond Fund, Series 1	4.9
2. Hydro-Québec, Series 20, 6.000%, 2040-02-15	4.7
3. Province of Ontario, Series G77, 2.650%, 2025-02-05	4.0
4. NEI Global High Yield Bond Fund, Series 1	3.3
5. Province of Ontario, Series DMTN251, 1.550%, 2029-11-01	3.3
6. Government of Canada, 3.500%, 2034-03-01	2.7
7. Government of Canada, Series N670, 2.250%, 2029-12-01	2.5
8. Lower Mattagami Energy L.P., Series 21-1, 2.433%, 2031-05-14	2.2
9. Canada Housing Trust No. 1, Series 90, 1.800%, 2024-12-15	2.1
10. Government of Canada, 2.750%, 2055-12-01	2.1
11. Ontario Power Generation Inc., Series 7, 3.215%, 2030-04-08	2.1
12. Fédération des caisses Desjardins du Québec, 5.475% 2028-08-16	1.8
13. Province of Ontario, Series DMTN244, 1.850%, 2027-02-01	1.7
14. Algonquin Power Co., Series 5, 4.600%, 2029-01-29	1.6
15. Brookfield Renewable Partners ULC, Series 11, 4.250% 2029-01-15	1.5
16. Ivanhoe Cambridge II Inc., Series 3, 4.994%, 2028-06-02	1.4
17. Government of Canada, Series N597, 2.000%, 2032-06-01	1.4
18. Province of Québec, Series K379, 3.650%, 2032-05-20	1.4
19. Province of Ontario, Series DMTN257, 4.050%, 2032-02-02	1.3
20. Province of British Columbia, Series BCCD-35, 2.800% 2048-06-18	1.3
21. Inter-American Development Bank, 4.600%, 2029-03-01	1.2
22. Central 1 Credit Union, Series 7, 2.391%, (Floating rate starting in 2026), 2031-06-30	1.2
23. Ontario Power Generation Inc., Series 3, 4.248%, 2049-01-18	1.2
24. Hospital For Sick Children, Series B, 3.416%, 2057-12-07	1.0
25. FortisBC Energy Inc., Series 33, 2.540%, 2050-07-13	0.9
<b>Total % of Top 25 Investments</b>	<b>52.8</b>

### Asset Mix (%)

As at June 30, 2024

