NEWGEN
ASSET MANAGEMENT

NEWGEN CREDIT STRATEGIES FUND

Monthly Commentary

2023-24

September 2024

The NewGen Credit Strategies Fund, a corporate credit-focused liquid alternative strategy, generated a net return of 1.2% on the Class F Units during the month of September. Our Net/Gross Exposure at month-end was 77%/108% versus 71%/104% at the end of August.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2023	4.4%	1.1%	2.2%	0.7%	-0.1%	1.0%	1.2%	0.5%	0.2%	-1.4%	2.7%	1.6%	**15.0%**
2024	2.6%	0.8%	1.3%	0.8%	0.8%	1.9%	1.9%	1.2%	1.2%				**13.1%**

Fundamental Corporate Credit (~29% of NAV, 10 positions)

Matthews International Corp. – Senior Secured 2nd Lien Bonds {MATW 8.625% 10/27}

We did something rare by acquiring a new core position via the primary market. New issues are often efficiently priced, as the entire market gets the opportunity to evaluate the bond and the book building process usually finds the optimal pricing on the security. New issue outperformance is often mistaken for "alpha" when in fact, it is often "beta", which we try to avoid. However, in the case of the MATW bonds we found the new issue truly mispriced such that we decided to take a core position. MATW is a unique Company that has been around since 1850 and operates three distinct businesses. The core business is providing deathcare products. They have the #1 market share in Cemetery Memorials, #2 in Casket Making and #1 in Cremation Equipment. This bond fits into our strategy as the Company is underfollowed with near zero equity research coverage. Additionally, it operates in a niche, mature cash flowing industry and the bond is secured , short duration and non-index. MATW is also a conglomerate which equity holders generally view as a negative. However, as a credit investor we like conglomerates as they are a collection of discreet businesses with diversified cash flows. If needed individual businesses can often be sold off to de-lever and reduce the overall debt burden. We think MATW deathcare business, while low growth and uninteresting, covers the entire debt in MATW's capital structure. The other two business can likely be sold en bloc if needed to lower the debt load of the Company or simply to refinance these bonds.

Cable One – Senior Unsecured "Busted" Convertible Bonds {CABO 1.125% 03/28}

We exited this position in September as the price of the bonds rose from our original purchase price of 73.5 in May to 80.625. The chase for yield has caused some investors to take on additional risk and reach into the beleaguered USD High Yield TMT sector as it remains one of the higher yielding parts of the credit market right now. This position generated a ~10% gross total return, almost all capital gains. We still remain cautious on adding US TMT credit risk.

Event-Driven (~44%, 18 positions)

Vector Group Senior Secured Bonds {VGR 5.75% 02/29}

VGR agreed to be acquired by Japan Tobacco in August, and we acquired our position at 101.625 after the deal was announced. Recall from prior letters, we had a fundamental carry position in the bonds for much of 2023 but sold them on valuation concerns, so we knew VGR very well prior to the deal. The transaction is likely to close before the end of the calendar year and, as a result, the bonds could be called at 102.875 making for an attractive 4–5-month IRR. If the transaction closing is delayed, depending on how the acquirer intends to redeem the bonds, then our downside is a 101 Change of Control Offer, or the bonds will be called at 101.4380 on February 1, 2025.

Canadian Bank Fixed Rate Reset Preferreds

TD Bank surprised the market by not redeeming its TD.PF.A preferred share. Speculators had bid up this near-term reset preferred to $24.50 with the thesis that TD would redeem them. As we described in our April 2024 letter, fixed rate reset preferreds and LRCN are negatively convex fixed income instruments. While we took advantage of 5 or so obvious redemptions in the first half of the year, we felt the market had bid up near-term reset prefs to levels that were bad risk-reward, so we have had a zero allocation to near-term reset bank preferreds recently. Those who bought the TD.PF.A preferreds at $24.50 hoping for a quick 2% gross return are now left nursing (7%) losses.

Liquidity Provision (~23%)

The Fund continues to hold an ample amount of short duration risk-free securities.

Special Situations/Stressed Credit (~16%, 9 positions)

Ascent Resources Senior Unsecured Bonds {ASCRES 9% 11/27}

We acquired a small position in these bonds because of the unique embedded option they contain called a Contingent Value Right ("CVR"). If Ascent is either IPO'd or merges with another company then the bond's CVR pays out an extra ~25 bond points. At the price of 120 the Fund would receive 9 pts of coupon per year and 25 pts if the event occurs. If nothing happens, the IRR of the position is ~0%. There has been a decent amount of consolidation in the US energy space over the last two years, so we like the upside downside pay off profile of these bonds and the credit is solid.

Leisure Travel Company – Short

We are now short the security of a Company tied to the leisure travel business that we think has a high probability of going insolvent in the next 6 months. The amount of debt the Company has feels insurmountable to us and we are beginning to see signs of slowing leisure travel.

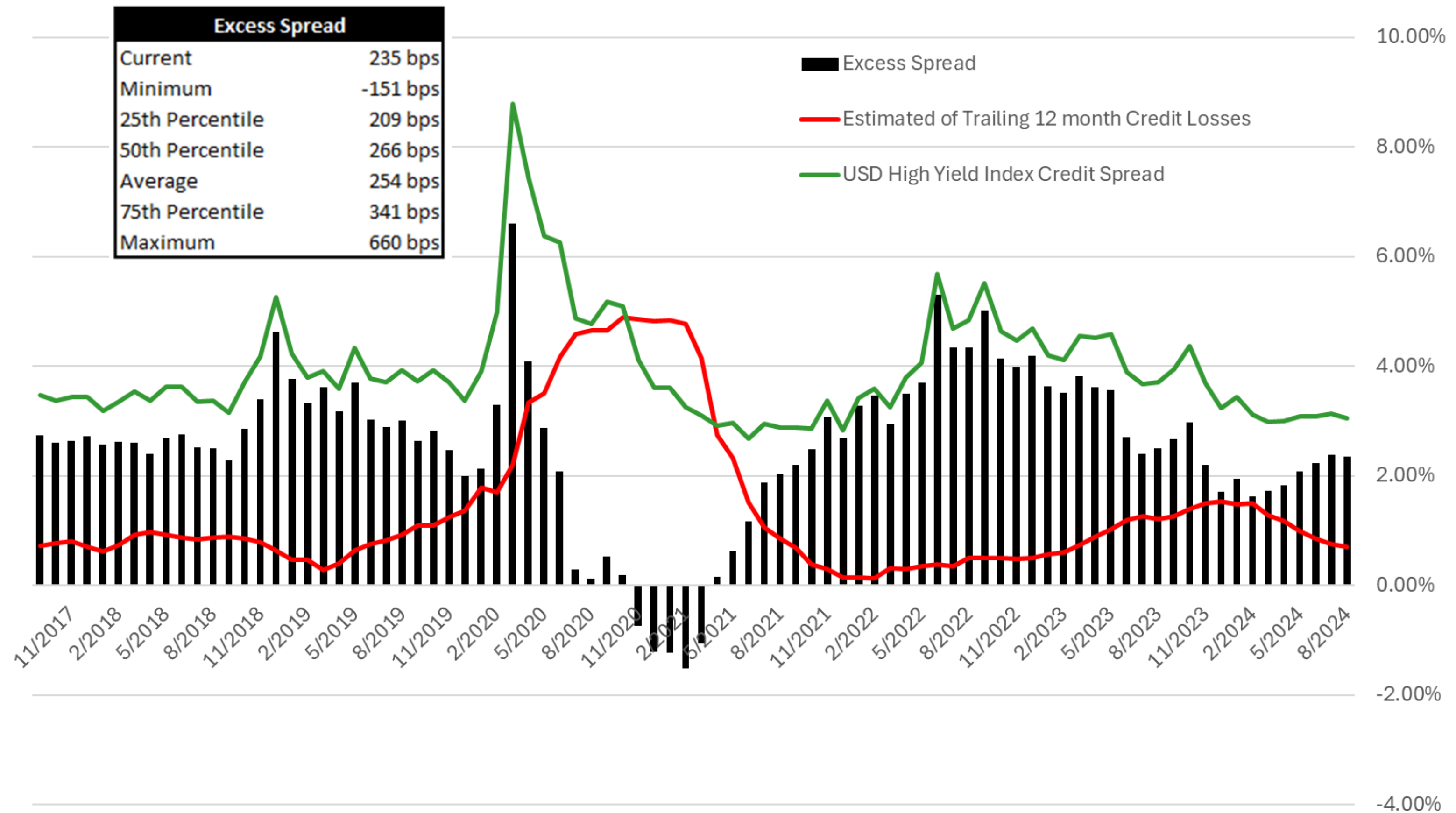
Risk Overlay (-12%)

We made very few changes to our Risk Overlay during the month.

Summary

It is often said that *more people have died chasing yield than by the barrel of a gun*. A theme in the financial markets recently has been the reach for yield due to the expectation of declining interest rates. There has been a steady rise in prices for "yieldy" assets as capital flows out of cash and into risker assets such as corporate credit. We see this with private credit where large amounts of capital are being put to work in "anything that pays SOFR + 600 bps" regardless of credit quality or creditor documentation. Good credit risk management is avoiding eating the candy when the bowl is put right in front of you. What we are trying to do in our Core Corporate Carry strategy, given this macro backdrop, is maximize "Excess Spread" not *Yield* or *Absolute Credit Spread*. Excess Spread if the difference between a corporate bond's *Perceived Credit Risk,* as measure by the market credit spread, and the A*ctual Credit Risk* as measure by realized credit losses. As an example, on one end, you can invest purely in Investment Grade bonds which have a credit spread of say 145 bps on average and are unlikely to experience significant credit losses, but the return profile is not attractive. On the other end of the spectrum, you can invest in 'CCC' bonds or Private Credit and earn headline credit spreads of 650 bps but may end up bearing credit losses of 1%-3% or more on the investment with significant volatility. Our focus is in a sweet spot between the two book ends and despite falling yields, we think we can continue to find unique credits that offer outsized "Excess Spread". This chart shows our estimate of the Excess Spread for the USD high yield market going back to 2016.

Excess Spread = Perceived Credit Risk – Actual Credit Risk
Excess Spread = Market Credit Spread – Credit Losses



Comment: *While credit spreads are historically tight and in the lower quartile of their historical range, credit losses remain fairly low and have declined over the last few months. Excess Spread we estimate is roughly 235 bps using our estimate of trailing 12-month credit losses. This metric is closer to the USD High Yield historical average or median.*

August 2024

The NewGen Credit Strategies Fund, a corporate credit-focused liquid alternative strategy, generated a net return of 1.2% on the Class F Units during the month of August. Our Net/Gross Exposure at month-end was 71%/104% versus 80%/116% at the end of July. The YTD return is comprised of 77% capital gains, 13% dividend income and 10% interest income. *This breakdown is after the netting of management fees and performance fees from interest income. Please see below for our returns since inception.*

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2023	4.4%	1.1%	2.2%	0.7%	-0.1%	1.0%	1.2%	0.5%	0.2%	-1.4%	2.7%	1.6%	**15.0%**
2024	2.6%	0.8%	1.3%	0.8%	0.8%	1.9%	1.9%	1.2%					**11.8%**

Fundamental Corporate Credit (~28% of NAV, 10 positions)

American Coastal Insurance Company – Senior Unsecured Bonds {ACIC 7.25% 2027}

We felt like a kid who couldn't wait to unbox, and play with, a shiny new toy when we found and purchased these bonds for our core carry portfolio. ACIC is a very niche speciality insurer whose sole business is writing commercial property insurance to mainly low-rise garden-style condo boards in Florida. Insurance against the risk of a condo's roof getting ripped off, or windows smashed during a hurricane, is mandatory for condo boards located in Florida. For a variety of factors, many mainline insurance writers have stopped writing premiums in Florida, and as a result ACIC has a 48% market share in its core segment. As the only steady provider of this type of insurance, ACIC has built a competitive advantage in this sector via the years of data and knowledge they've gathered on the individual property risk characteristics in Florida. Our due diligence, and meetings with management, led us to conclude that ACIC has a rigorous risk framework combined with a conservative reinsurance program to offload a decent amount of catastrophic hurricane risk to 3rd parties. The risk to this position is a very bad hurricane season, with 4 or more major hurricanes causing ACIC to blow through both its own large surplus plus the multiple layers of purchased reinsurance. It is important to note that ACIC does not write personal property insurance nor flood insurance which has inflicted terrible losses on the Florida P&C industry. See Appendix for more details on how this bond fits into our strategy.

Event-Driven (~43%, 20 positions)

Hawaiian Airlines Merger with Alaska Air - Our combined long bond/short stock position benefited the Fund to the tune of ~10 bps of return during the month. As we expected, the DOJ moved on from their review of the HA/ALK merger. The capital gain on the bonds was offset modestly by the capital loss on the short position in the stock. However, a major hurdle to the merger has been overcome, so we will now sit and collect an 11% coupon until the deal closes.

Neiman Marcus - Senior Secured Bonds {NMG 7.125% 2026} - We participated in an exchange offer to allow for NMG to close its merger with Saks Fifth Avenue. We anticipate receiving 101.781 on closing, while we purchased these bonds at an average price of 99.83 in late-June/early-July.

Parklawn Corporation – Senior Unsecured Bonds {PLCCN 5.75% 12/25} -The bonds were redeemed during the month at 102.875. We bought a large position around 102.25 around a month earlier than the redemption.

Liquidity Provision (~29%)

- We placed some of the Fund's liquidity during the month into "hard redeemed" preferred shares that are being retired within 30 days (by the end of September).

Special Situations/Stressed Credit (~14%, 8 positions)

Cineplex {CGXCN 7.75% 2030 Subordinated Convertibles}

The Fund continues to benefit from our position in Cineplex convertibles. The bonds are now priced at ~124 but we continue to think they are cheap with several near-term catalysts on the horizon. As part of our risk management strategy, instead of trimming our position we elected to go into the listed options market and *transform the distribution* of future outcomes associated with the position. We have neutered our potential upside by selling out-of-the money call options, and with the premium earned used to reduce the potential downside risk between the current price and our estimate of the "bond floor". The net result is a tighter more credit-like return distribution, and we think better risk adjusted return profile. Based on a reasonable set of assumptions the convertible we think could have a valuation of close to 140 if our investment thesis is correct. (*see Appendix*).

Tidewater Infrastructure {TWNCN 8% 06/29 Subordinated Convertibles}

We made an investment mistake purchasing the subject bonds and only realized it after seeing the Provinces of BC's Low Carbon Fuel Standard ("LCFS") credit program trade at the low end of regulatory minimums and then go "no bid" in August. The bonds dropped in value after TWN's majority owned subsidiary, Tidewater Renewables, almost became insolvent during the month of August and required a "bail-out" from its Parent only 2 months after the bond was issued. There is now $175mm of secured debt moving from Renewables to Midstream, effectively priming the recently issued bonds. What did we do about this self-imposed mishap? We reduced our position by 25% before the quarter, shorted the common stock to hedge our risk and then aggressively sold the remaining position after the Company reported. The damage was minor as we crystalized a ~11 bps loss on the position. We now think that either entity could suffer from financial distress if the LCFS credit market in BC doesn't recover and/or crack spreads at TWM's Prince George refinery decline.

Materials Short

We picked up ~25 bps of gross return and ~100% IRR shorting a security from a Company that became insolvent during Q3, and the value of the security went to near zero. We are ramping up the time we spend on short ideas as some companies begin to hit the wall. We are looking for companies that have near-term liabilities, are burning cash and require near-term access to capital. Short selling credit sensitive securities with the thesis they are worth zero is tricky but when you can get them right, they are profitable trades. We are excited about a few potential shorts we are watching closely.

Risk Overlay (-14%)

We made very few changes to our Risk Overlay during the month.

Summary

A recent theme has been capital moving out of money market & cash-like instruments into riskier assets, in particular yield sensitive assets. This hunt for yield is beginning and is a natural response to what now appears to be the start of a central bank easing cycle. Investors have benefitted handsomely from holding T-Bills, GICs, HISAs and short maturity discount bonds over the last two of years as Central Banks repeatedly hiked rates to tame inflation. Now with economic demand weakening, especially in the consumer, investors are cheering on more rate cuts as good for risk assets. The problem we see is that based on where we are in the credit cycle and where credit spreads/yields are, corporate credit is likely just a carry trade from here. Declines in government bond yields will be driven by rate cuts which will be driven by poor economic data. Poor economic data should put a floor under how tight credit spreads can go meaning that underlying declines in risk-free rates may be offset by spread widening. Given this backdrop we are being extra careful and patient when deploying capital and making sure we get paid for the risks we take. One of the advantages of the Fund is its size as we are small enough to make quick shifts in positioning and take advantage of unique opportunities in as they arise.

ACIC 6.25% 12/15/27 Senior Unsecured Bonds

Niche/Orphan Industry	Condominium boards are required by to purchase property insurance to protect against damage to the shell of their building(s) in the state of Florida.
Niche/Orphan Company	No other public company looks like ACIC. It has a unique business model.
Non-Index Eligible Bond	Bond is not contained in any credit indices or ETFs. Small $150mm issue size not followed by traditional credit portfolio managers because of investment constraints.
No Mainstream Credit Ratings	Only rated by Kroll Bond Rating Agency. No rating from S&P/Moody's/Fitch. A bond only having a Kroll Credit rating precludes many investors from owning it.
Public Company	Public-listed Company with +$500mm market cap beneath the bonds. Insurance subsidiary is a regulated entity in the State of Florida.
Target Return	+9.1% yield-to-maturity with no call provisions other than a make-whole call. 550 bps of credit spread is well in excess of any reasonable sub-index proxy and well in excess of where comparable insurance bonds trade.
Deeply Seasoned	Issued in 2017, the bond has been "seasoned" for 7 years. We estimate the bond has turned over 1x over its life and migrated into "strong hands".
Strong Covenant Package	Financial covenant limiting the ability for the Company to incur additional debt if it would have a debt-to-capital ratio above 30% (currently ~42%). The Company currently cannot incur any additional debt beyond the $150mm bond in its capital structure.
Underfollowed	Company is only covered by one equity research analyst based in St. Peterburg Florida
Short Duration	Duration of 2.7 years or ~3.25 years to maturity.
Catalysts	Upcoming Rating Review in October where Kroll Bond Rating Agency could move to Investment Grade. Mild hurricane season so far will continue to bolster surplus capital position. The Atlantic Ocean has had no named storm formations since Ernesto on August 12. The last time that the Atlantic had no named storm formations between August 13 - September 3 was in 1968.
Discount to Par	Bond price of 95 allows for 5 dollars or 1.67 bond points per year to be accounted for as capital gains and not interest income.
Strengthening Credit Profile	+$200mm surplus. Loss ratio of only 18%. Combined ratio of 52%. Company could have more unencumbered cash than debt before the maturity of the bond.
Low Market Correlation	Bond performance will be driven by factors unrelated to general economic activity namely the frequency and severity of storms in Florida. This lack of correlation provides diversification benefits to our portfolio

Cineplex CGXCN 7.75% 03/30 Subordinated Convertibles

CGXCN 7 ⅝ 03/31/29 ↑104.063 +.000 103.625 / 104.500
At 7:00 --x--

CGXCN 7 ⅝ 03/31/29 Corp | Settings

1) Yield & Spread | 2) Graphs | 3) Pricing | 4) Descri

CGXCN 7 ⅝ 03/31/29 (172454AH3)

Spread	337.73 bp vs	CAN 3 ¼ 09/01/28	
Price	104	101.2335	09:04:14
Yield	6.297424 Wst	2.920094	S/A
Wkout	01/31/2028 @ 100.00	Consensus Yld	
Settle	09/05/24	09/05/24	

Spreads		Yield Calculations	
11) G-Sprd	335.0	Street Convention	6.297424
12) I-Sprd	340.5	Equiv 1 /Yr	6.396568
Basis	N.A.	Mmkt (Act/365)	
14) Z-Sprd	338.7	True Yield	6.294355
15) ASW	348.6	Bank of Canada	6.297424
16) OAS	328.3	Current Yield	7.332

Senior Unsecured Bonds trade with a credit spread of ~335 bps...a strengthening credit profile could mean the senior unsecured/subordinated spread could narrow to 75 bps

Firm	Recommendation	Tgt Px	Date
TD Cowen	buy	16.00	08/15/24
RBC Capital	outperform	13.00	08/09/24
National Bank Finan...	outperform	12.50	08/28/24
BMO Capital Markets	market perform	12.50	08/09/24
Scotiabank	sector outperform	12.00	08/12/24
Canaccord Genuity	buy	12.00	08/09/24

Median analyst price target of $12.50, still below pre-covid valuation metrics

CGXCN 7 ¾ 03/01/30 | 91) Actions | 92) Settings

Bond BK4408302 Stock CGX CN Equity

11) Pricing Analysis | 12) Cash Tender | 13) Historical Analysis | 14) Scenario Analysis | 15) Nuke/Hedge

21) Analysis | 22) IR Curve | 23) Credit Curve | 24) Dividends | 25) Volatility

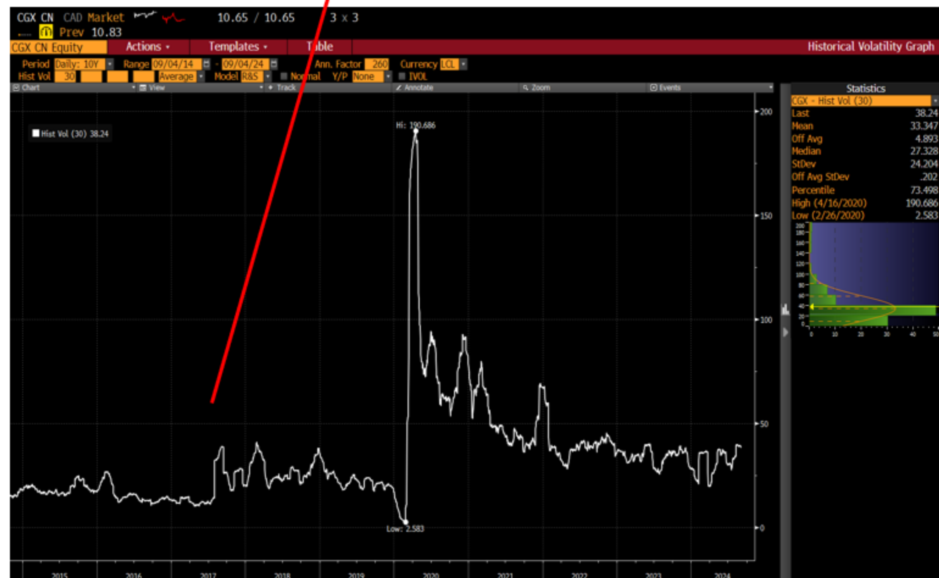
Market Price	Spread (OAS)	Volatility	Stock Price	Borrow Cost
124.620	410.000	30.00	12.500	4.5 %
BVAL (07:00)		User Flat		

Trade Date	Settle Date	Model	E2C	Greeks based on	Call Adj
09/04/2024	09/05/2024	Black-Scholes	0.0	Mkt Price & Vol	None (%)

Fair Value	139.196	Bond Floor	103.402	IR Sens	-0.262	Yield to Mty	2.869
Cheapness (%)	10.472	Option Value	35.794	Spread Sens	-0.277	Yield to Call	1.988
Implied Spread	2.048M	Parity	121.477	Phi	N.A.	Yield to Put	N.A.
Implied Vol	N.A.	Premium (pts)	3.143	Psi	-1.388	Yield to Worst	1.988
Delta (%)	91.015	Premium (%)	2.587	Chi	N.A.	Current Yield	6.219
Delta (pts)	1.106	Gamma	0.198	Upsilon	0.000	Breakeven (Y)	0.406
Effective Trig	138%/14...	Vega	0.149	Convexity	-0.902	CF Payback (Y)	0.406
Unit Prc	1.392M	Theta	0.020	Effective Dur	0.210	Accrued Int	0.085
Hedge Ratio	8.845	Exp Life (Fugi...	2.163				

Description

Bond CUR	CAD	Conv Prc	10.2900	Issue Amt	316.25MM	Next Call Date	03/01/29
Stock CUR	CAD	Conv Ratio	97.1817	Amt Out	216.25MM	Next Put Date	None
Stock Ticker	CGX CN	Proj Conv Ratio	97.1817	Issue Date	07/15/20	Next Call Price	100.00
Cusip	172454AC4	Init Prm (%)	27.50	Maturity	03/01/30	Next Put Price	None
Collateral	SUBORDINATED	Coupon	7.75% FIXED	Conv From	07/15/20	Prov Trig	125%/12.862
Par Amount	1000.00	Cpn Freq	Semi-Annual	Conv Until	02/22/30	Prov Start	03/01/27
ISIN	CA172454AC48	First Coupon	09/30/20	Day Count	ACT/365	Prov Addl Points	None
Common	222947359	Next Coupon	03/01/25	Lead Mgr	SCOTIA	BEst Est LT Gwth	None
Wertpapier	A280Y8	CoCo Trig (%)	N.A.	Market Cap	690MM	BEst EPS 1Y/2Y	.190/None
Moody's Rating	N.A.	Inc Share	N.A.	Ind Group	Entertain...	BEst P/E 1Y/2Y	21.6/No...
S&P Rating	N.A.	Curr Conv Ratio	97.1817	Ind Sector	Consumer...	BEst PEG 1Y/2Y	None/N...
Fitch Rating	N.A.	Market	CANADIAN	30D/180D Vol	None/None	Prc vs 52W Hi	-1.724
Div Protection	Yes	Div Carry Fwd	None	Div Prot Limit	No	Prc vs 52W Low	52.535
Div Thresh	None	Call Prot (yrs)	2.487	Yearly Div	.00	Series	None
Ex Code	TORONTO						



Volatility prior to Covid was between 15-30 versus 35 today. Normalization of business, new NCIB and future dividend policy could lead to a drop in implied and realized volatility which would cause the bonds to become modestly less valuable. As such, we thought it was prudent to begin harvesting volatility by selling options.

July 2024

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2024	2.6%	0.8%	1.3%	0.8%	0.8%	1.9%	1.8%						**10.5%**

Fundamental Corporate Credit (~34% of NAV, 12 positions)

We made very few adjustments to our carry portfolio other than selling down the Canadian preferred shares we bought at lower levels the month earlier. Based on our positioning and risk overlay, we are now modestly net short USD high yield within our carry portfolio. We think longer duration 'BB' credits are rich and prone to a repricing from either a lift in underlying government bond yields or a widening of credit spreads. Additionally, we believe 'CCC' credit remains subject to very real default risk. Therefore, our focus is now on a small subset of the overall market…unique, well-seasoned "B-rated" paper, often secured, at yields between 8%-9%. The chart below highlights areas where we look for undervalued bonds:

Category	Description	Example
Orphan Issuers	A company that has one small bond in its debt structure and therefore has less of a following compared to companies with large debt structures who are consistently tapping the primary issuance market.	BlueLinx – Building Products BXC 6% 11/29 Senior Secured Bonds $300mm O/S
Orphan Industries	A company that operates in a unique industry with few comparable bonds. Pricing credits in these 'orphan industries' is difficult and larger managers typically ignore these bonds due to size/scarcity issues.	Deathcare – Carriage Services CSV 4.25% 05/29 Unsecured Bonds $400mm O/S
Non-Index Bonds	Bonds that are not contained in major indices/ETFs and therefore are not followed by closet indexers. These bonds generally have less beta to the market, and are not frequently bought and sold via ETFs.	Calfrac CFWCN 10.875% 2/2026 Senior Secured 2nd Lien Bonds
Deeply Seasoned	Bonds that have been outstanding for many years where as they "age" become underfollowed or forgotten by the investment community. These bonds also exhibit less beta as they have generally rotated over time into the hands of investors with high conviction on the credit.	AerCap Floating Rate Auction Rate Preferreds $100mm tranche Issued in 1992
Unique Structural Features	Securities with unique put, call and redemption features that are unrelated to the credit risk of the issuer and are difficult to value. Option features are often mispriced by credit investors.	Junior capital securities from banks and Hybrids corporate securities
Busted Convertibles	Bonds transitioning from convertible arbitrage investors or pure equity investors to credit specialists as they become "busted." This often creates a mispricing.	Atlantic AY 4% busted converts traded at a yield much higher than its longer maturity 4.125% unsecured high yield bonds.

Event-Driven (~43%, 17 positions)

Summit Midstream {SUMMPL 9.50% 10/26 2nd Lien Bonds}

We acquired a position in these bonds at an average price of 101.5 under the thesis that the Company would redeem them at some point during 2024-H2. The Company is going through a transition from an MLP to a C-Corp and these bonds were both high cost with a 9.50% coupon and had prohibitive covenants. During the month, the Company launched a tender offer at 102.875 and we tendered our entire position for a 14.2% IRR.

Hawaiian Airlines {HA 11% 04/29 Senior Secured Loyalty Bonds}

We participated in the Company's exchange offer whereby we agreed to exchange our 5.75% Loyalty Bonds for 82.5 points worth of new 11% Loyalty Bonds and a 17.5-point cash payment at Par. The new bonds will be redeemed at Par should the Alaska Airline merger close but could drop into the 70s or 80s if the Department of Justice decides to litigate the deal, and it ultimately fails. We paired the long bond position with a short position in the common stock of Hawaiian. The stock is trading at ~$12.50 as of month end but is worth $18.00 in cash should the deal close. If the deal breaks, the stock could trade to between $4.00-$8.00 or lower. We think the implied probabilities of the merger closing are materially different between the stock and the bonds, creating a relative value trading opportunity. Based on our best estimate of the trading prices of both securities, should the deal *close* or *break* with our hedge ratio of 10%-15%, we think its possible to create a trade where we could earn our required return under either scenario.

Capital Structure Arbitrage – Financial Corporation

We have had on a complex capital structure trade since October 2023 where we are:

- Long the 2024 maturing debt of a financial corporation
- Short the common equity
- Long out-of-the money puts to hedge the debt
- Long out-of-the money calls to hedge the equity short position.

With the carefully selected package of 4 securities, we were able to create a +10% running arbitrage yield with some minor basis risk. We were hedged from any change in the value of the corporation's assets while collecting the "carry" from the cash flow of the debt less the option premium and less the borrow cost on the short position. We have now unwound around half the trade which has generated ~110 bps of gross return for the Fund.

Liquidity Provision (~20%)

The Fund has most of its liquidity on deposit at our Prime Broker at CORRA minus a spread but we look to buy commercial paper, T-bills, hard called investment grade bonds and High Interest Savings ETFs to improve the return where possible.

We made a nice return from our position in the short duration AAA asset-backed securities issued by Chip Mortgage Trust. The entire market was pricing the bonds assuming they would mature December 15, 2024. However, we knew from our experience that the issuer had to redeem them 5 months earlier to be in compliance with regulatory liquidity rules. We received our principal back early in July and generated a 9.7% return on a near riskless < 1-yr 'AAA' security.

Special Situations/Stressed Credit (~18%, 9 positions)

The Fund benefited from the price appreciation in our Cineplex convertible bond position. The common shares rose in price as investors finally realized the strength of the 2024-H2 movie slate and how much CGX has underperformed versus its US peer group. The math on CGX is straightforward, the average patron pays $12.50 for a ticket and on average buys $9.00 worth of concessions. The gross margin is roughly 50% per person on ticket and 75% on concessions, meaning the

average patron generates $10.75 of gross margin per visit. Corporate and theatre-level overhead is largely fixed meaning that the marginal theatre visit drops $10.75 of free cash flow to the bottom line. LTM attendance is 47.9mm versus 2019 attendance of 66.4mm. If we assume a scenario where attendance returns to even 80% of 2019 levels, this would mean an incremental $56mm of free cash flow on a ~$600mm market cap stock. The value of the common stock going forward will be driven by *incremental attendance,* which in turn is driven by the *quality of the content*. What several recent films, including Deadpool & Wolverine, have demonstrated is that the age-old relationship between good content and attendance for movie theatres is not yet broken.

Risk Overlay (-14%)

Our Risk Overlay was a source of negative return on the month as a decline in interest rates caused a rally in certain securities that we are short.

Summary

Our current portfolio positioning continues to have us carrying high cash balances along with a shorter duration bias. We are accepting *reinvestment risk* and trading it off for increased *optionality*. More than 30% of the portfolio will roll-off into cash in the next 3 months. We will continue our strategy this year of finding on average one very attractive high conviction event-driven trade per month and sizing it up according within our risk management framework. The Fund continues to slowly raise incremental capital and we will look to scale the Fund further. We see ample opportunity to scale our existing portfolio without diluting return.

Letter XVII – June 2024

The NewGen Credit Strategies Fund, a corporate credit-focused liquid alternative strategy, generated a net return of 1.9% on the Class F Units during the month of June. Our Net Exposure at month-end was 72% and Gross Exposure was 103% versus 62%/105% at the end of May. Approximately 70% of the gross return YTD has been realized.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2023	4.4%	1.1%	2.2%	0.7%	-0.1%	1.0%	1.2%	0.5%	0.2%	-1.4%	2.7%	1.6%	**15.0%**
2024	2.6%	0.8%	1.3%	0.8%	0.8%	1.9%							**8.5%**

Fundamental Corporate Credit (~22% of NAV, 14 positions)

The Fund took advantage of the sharp decline in Canadian-listed preferreds during the month and added a half dozen or so new credits. Many prefs were down 5%-10% intra-month. The downdraft was linked to redemptions from specialized preferred share funds plus retail investors worried about further rate cuts in Canada. Historically, rate reset preferreds and floating rate preferreds have declined in value during a declining interest rate environment. We prefer floaters and fixed rate preferreds with near-term reset dates where there is free optionality on a par redemption. Many floating rate preferreds are pricing in 200 bps or 8 rate cuts before they have running yields equivalent to their fixed rate cousins. To fund the rotation in our Fundamental Corporate Credit portfolio we exited the following positions largely on valuation metrics:

- *Argo International 7% - longstanding USD preferred position reached fair value @ $24.90*
- *Dye & Durham - DNDCN 8.625% 29 – appreciated to 102 or ~8% yield with little convexity left*
- *Arko Corporation – ARKO 5.75% 29 – modest concerns about a levered balance sheet*

Event-Driven (~44%, 15 positions)

Industrial Alliance {IAF.PR.B 4.60% Perpetual Preferred Share}

We accumulated a large position in the subject preferreds over the course of the last 4 months with the thesis that IAG was going to call these prefs at $25.00. Our due diligence of IAF's tax situation led us to conclude they could issue new interest-bearing LRCN bonds at a cheaper after-tax cost compared to continuing to pay 4.60% in dividends on the perpetuals. In addition, IAF changed where it issues junior capital securities from an OpCo to a HoldCo and our preferred was the last small piece of junior capital at the Opco. IAF has been around since 1892 and is run by actuaries, given its core business is insurance. They are quite literally in the business of complex math calculations and counting basis points. As such, we thought there was a high probability that their treasury team would eventually recognize the merits of redeeming and replacing this preferred with an LRCN. Mid-month, IAF finally issued new interest-bearing LRCN notes at a 6.92% and called our preferred. *The position generated an IRR of ~50% and 26 bps of gross return for the Fund. We exited the position at near Par before month end.*

Closed End Fund Arbitrage

We closed on two closed-end arbitrage positions where we were long a closed-end fund, short the exact underlying assets and captured a fixed discount to Net Asset Value. These positions act like fixed income as they are fully hedged with a *fixed terminal date* and *fixed terminal price*.

Allied Properties (AP-U Unsecured Bonds and Trust Units)

Our thesis on AP-U played out with Moody's downgrading the bonds to junk status. The bonds are leaving the investment grade indices and will migrate to high yield. While our event thesis has played out the bonds have not fully repriced yet. One unique feature of REITs who use laddered unsecured funding is that they usually have a material amount of unencumbered assets. In times of stress, a REIT can always sell or mortgage unencumbered assets to pay off near-term unsecured bond maturities. This is the situation AP-U finds itself in. However, over time the credit curve can become very steep as short-term maturities become "safe", but the longer-term maturity's collateral gets diluted. We have seen this in real-time in the US on several credits including SVC and OPI. As such, we think the "back-end" longer AP-U maturities are very prone to a downward reprice. This is especially true since AP-U's weighted average coupon on its existing unsecured bonds is 3.03%. If we "re-coupon" the bonds at a prevailing interest rate of 6.75% it results in more than doubling of AP-U's cash interest expense. Cash interest would go from ~$79mm per year to $176mm, an increase of $97mm *(see Appendix)*. AP-U will need interest rates and credit spreads to come down materially in the future or it may not be able to support its current dividend. The current plan is for AP-U to use its $800mm unsecured 2027 pari-passu revolver to retire the next two maturities in the debt stack (2025 and 2026). The revolver would then be fully drawn at CORRA + 145 bps which is roughly 6.25%, only modestly less then where they would issue unsecured bonds today. While AP-U is well managed with a good set of assets including a premier land base, we do not think that bondholders and unitholders have worked through the math on what higher interest rate means for cash flow. This situation is not unique to AP-U, many other REITs, IG Telcos, Utilities cash flow will get slowly "munched down" over time as low coupon debt is replaced with high coupon debt on refinancing.

REIT Credit

Noteworthy during the month was Canadian office REIT, Slate Office {SOT-U} defaulting by failing to pay interest on its debentures. Market prices are telling us that SOT's portfolio has a ~95%-100% LTV while the accountants/appraisers are implying a ~73% LTV. Stated different, there is a 25%-30% value discrepancy between book and market (*see Appendix*). The market is saying there is ~$50mm of residual value after senior debt is paid while IFRS-driven NAV metric is close to $450mm, an almost 10x difference. Many REITs are trading at steep discounts to NAV, but we now have an example of a REIT whose accounting book values are significantly higher than market value but yet it cannot service its debt obligations.

Liquidity Provision (~28%)

The Fund drew down some of its liquidity to fund increased weights on some of our higher conviction event-driven trades but had a few trades liquefy at month-end. The Fund is scheduled to receive a significant amount of liquidity in the next 30-120 days as various event-driven trades reach their terminal end point and convert to cash.

Special Situations/Stressed Credit (~19%, 8 positions)

Tidewater Infrastructure {TWNCN 8% 06/29 Subordinated Convertibles}

We added this new position via what we considered a heavily dilutive stressed refinancing. TWN's value is primarily comprised of 3 assets: a) 69% stake in the common equity of Tidewater Renewables worth $180mm, b) Brazeau River Gas Infrastructure assets that generate free cash flow, and c) a profitable and strategic Diesel Refinery in Prince George (bought from Husky in 2019 for $215mm). The Company has less than $75mm of bank debt ahead of these convertibles. We think the bonds are well-covered from a credit perspective and earn 8% while clipping a long-term call option on the business. The optionality lies in the ability to harvest cash flow from Tidewater Renewables' recently completed and ramped Biodiesel Facility as well as volatility in crack spreads.

Risk Overlay (-14%)

The Fund remains short, long duration BB credit and has longer dated put options on banks and financials. We are also short two REIT equity securities currently under the assumption that both will eventually have to slash their dividend.

Summary

The Fund's returns going forward in corporate credit are unlikely to be driven simply by a macro theme of credit being cheap but by idiosyncratic trades where we: a) have an edge and have done the research upfront, b) can be a "first mover" on a trade and, c) have the conviction to maximum size the position within our risk parameters. The combination of (a), (b) and (c) should allow the Fund to continue its trajectory of strong returns in an otherwise benign, goldilocks, coupon clipping corporate credit market.

Allied Properties Senior Unsecured

	Coupon	Split
New 5-year Refi Coupon	6.50%	33.3%
New 7-year Refi Coupon	6.75%	33.3%
New 10-year Refi Coupon	7.00%	33.3%
	6.75%	**100.0%**

Bond Ticker	Maturity Year	Par Notional	Coupon	Current Market Yield	Proforma Refinance Coupon	Current Bond Cash Interest	Proforma Cash Interest	Incremental Cash Interest	Cumulative Incremental Cash Interest
APUCN 3.636 04/21/25	2025	$ 200	3.630%	5.71%	6.75%	$ 7.3	$ 13.5	$ 6.24	$ 6.24
APUCN 1.726 02/12/26	2026	$ 600	1.726%	5.98%	6.75%	$ 10.4	$ 40.5	$ 30.14	$ 36.38
APUCN 3.113 04/08/27	2027	$ 300	3.110%	6.13%	6.75%	$ 9.3	$ 20.2	$ 10.92	$ 47.30
APUCN 3.131 05/15/28	2028	$ 300	3.131%	6.20%	6.75%	$ 9.4	$ 20.2	$ 10.85	$ 58.15
APUCN 3.394 08/15/29	2029	$ 300	3.394%	6.30%	6.75%	$ 10.2	$ 20.2	$ 10.07	$ 68.22
APUCN 3.117 02/21/30	2030	$ 400	3.117%	6.36%	6.75%	$ 12.5	$ 27.0	$ 14.53	$ 82.75
APUCN 3.095 02/06/32	2032	$ 500	3.950%	6.53%	6.75%	$ 19.8	$ 33.7	$ 14.00	$ 96.74
		$ 2,600	**3.028%**	**6.20%**	**6.75%**	**$ 78.7**	**$ 175.5**	**$ 96.7**	**$ 96.7**

Cash Flow Water Fall	Free Cash Flow	New NOI	True FCF	Payout Ratio
FFO LQA *(direclty from AP-U MD&A)*	$ 323		$ 323	77.8%
AFFO LQA *(directly from AP-U MD&A)*	$ 300		$ 300	83.8%
CFO LQA *(AP-U Cash Flow Statement, add back working capital)*	$ 237	71.4	$ 308	81.7%
CFO LQA (*from above less capitalized leasing costs)*	$ 141	71.4	$ 212	118.6%
Less: Incremental Cash Interest - Refi of 2025s Bonds at Market	$ 135	71.4	$ 206	122.2%
Less: Incremental Cash Interest - Refi of 2026s Bonds at Market	$ 104	71.4	$ 176	143.1%
Less: Incremental Cash Interest - Refi of 2027s Bonds at Market	$ 93	71.4	$ 165	152.6%
Less: Cumulative Refi of All Bonds at Market	$ 44	71.4	$ 115	218.0%
Dividend LTM ($62.9mm per quarter)	**$ 252**			

Slate Office Properties

ACCOUNTING/ APPRAISAL		MARKET VALUE		Δ
Senior Debt	$ 1,017.6	Senior Debt	$ 1,017.6	$ -
Junior Debt	$ 158.0	Junior Debt	$ 23.7	$ 134.26
		Equity Market Cap	$ 28.5	$ 417.37
IFRS Fair Value	**$ 1,621.5**	**Enterprise Value**	**$ 1,069.8**	$ 551.63
Implied Total LTV	72.5%	Implied Total LTV	97.3%	24.8%
Implied Senior LTV	62.8%	Implied Senior LTV	95.1%	32.4%
Residual Portfolio Equity Value	**$ 446**	**Residual Portfolio Equity Value**	**$ 28.50**	**$ 417**

Letter XVI – May 2024

The NewGen Credit Strategies Fund, a corporate credit-focused liquid alternative strategy, generated a net return of 77 bps on the Class F Units during the month of May. Our Net Exposure at month-end was 62% and Gross Exposure was 105% versus 72%/117% at the end of April.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2023	4.4%	1.1%	2.2%	0.6%	-0.1%	1.0%	1.1%	0.5%	0.2%	-1.4%	2.7%	1.6%	**14.7%**
2024	2.6%	0.8%	1.3%	0.8%	0.8%								**6.4%**

Despite a positive return, the month was frustrating because of the increased dispersion in our portfolio. This led us to take our net exposure down to ~62% and have become more surgical in deploying capital in a concentrated fashion, given current valuations in the corporate credit markets. The primary market is showing early signs of fatigue as inflows into the asset class slow and supply picks up. We are positioning the Fund to take advantage of a steady stream of attractively priced short-term event-driven trades, while we wait patiently to rebuild our Core Carry portfolio.

One interesting development in 2024 has been the reemergence of convertible financing. CAD converts have traditionally been priced rich and distributed through retail channels. However, there are early signs that Companies who have legacy "retail" preferreds in their capital structure may have to tap the institutional market to refinance. Generically, the new clearing price for a non-investment grade 5-year subordinated convertible bond in Canada entails a coupon of between 7%-8% and a conversion premium of between 25%-30%. We view these terms as attractive to investors relative to straight debt. The fund now has approximately 10% of its capital in "balanced" convertible bonds across 3 issuers we have strong fundamental views around or are tied to upcoming catalysts.

Core Corporate (~25% of NAV, 8 positions)

Our Core Corporate Carry portfolio continues to shrink as we trimmed the last of our low yielding assets. Given where risk-free rates and credit spreads are, we do not think it makes sense to hold medium-to-long duration credit assets yielding much less than 7.50%-8.0%. This "soft hurdle" is also driven by the increased ability to earn HSD IRRs on shorter duration event-driven trades. At month-end, net of our Risk Overlay, our exposure to USD HY is only ~6% of NAV. We have now made room to hunt for 2-3 new positions such as the new position we have in Cable One bonds:

Cable One {CABO 4% 2030 Senior Unsecured Bonds / CABO 1.125% 28 Senior Unsecured Busted Convertibles}

We made our first *long* investment in the beleaguered US cable sector through the purchase of two Cable One ("CABO") bonds. CABO is a smaller cable operator focused on premium service in rural areas of the United States. Results have been pressured by competition plus the uncertainty about how they intend to fund a "put option" granted to a joint venture partner as part of the original acquisition of another operator, Mega Broadband. We have followed CABO for awhile, liked management, but did not invest because we felt the price of the bonds was too high. After 18 months of being patient, we finally got an opportunity to buy bonds at 73 cents on the dollar to yield 9.75%. We were able to capture the "low tick" as the bond rallied 3 pts subsequent to month-end. While there is no guarantee the bonds don't drift back below 73, in the short-term we feel like valuation levels are well-supported. We think the CABO 2030 and 2028 bonds are the cleanest shirts in a dirty TMT closet. *(more details in Appendix)*

Event-Driven (~32%, 17 positions)

Alteryx {AYX 8.75% 03/28 Senior Unsecured Bonds}

AYX was taken private by PE-sponsor Clearlake Capital. The bonds traded as high as 107 on the thesis that the sponsor would have to redeem the bonds at a make-whole price close to 109 in order obtain the new acquisition financing. However, the Sponsor argued it was in compliance with its debt incurrence obligations under the indenture because of generous pro forma EBITDA add-backs. Therefore, they argued they only had an obligation to offer a 101 Change of Control premium. The bonds dropped to below 102 from 107 so we acquired a position. We ended up joining a Bondholder Group and signed what is called a "Cooperation Agreement". After two months of negotiation and under the threat of a technical default, the Sponsor agreed to redeem the bonds in December 2024 at 102 and pay a 1/8 Consent Fee. *We exited our position in the bonds for a 12.4% IRR.*

Atlantica {AY 4.125% 2030 Unsecured Bonds}

We accumulated a position in AY's bonds at 97.50 after they announced a take-private transaction. The transaction is likely to take 6-9 months to complete but once completed, we think the sponsor will be required to redeem the bonds at a price of 101. AY has been shopped for ~5 years and ran a robust process over the course of the last year to find a buyer. AY's largest shareholder (AQN: ~42% ownership) is under pressure to sell the asset to the highest bidder regardless of price and has agreed to support the transaction. As such, we think the transaction is the highest and best offer and has a high probability of closing. *The IRR to our estimated March 1, 2025, closing date at the price we paid is ~9%.*

Liquidity Provision (~38%)

We continue to maintain a high amount of liquidity in the Fund. Our cash balances fluctuate substantially intra-month as we take advantage of tactical trading opportunities.

Special Situations/Stressed Credit (~14%, 6 positions)

This part of the portfolio is largely unchanged month-over-month. We continue to maintain a high bar before investing in lower tier credit given the increased propensity of stressed companies to complete transactions that disadvantage legacy creditors. We are now seeing an uptick in stress in illiquid private debt markets as mid-market private companies continue to struggle to cover their interest expense. Much of this is happening out of the view of the public markets. Other anecdotal signs of froth in the private credit markets:

- New "Synthetic PIK" structure that allows a borrower to pay its interest expense by drawing new separate debt
- Several private debt funds have outright gated or slowed the ability of investors to get their capital back
- A premier tech private equity sponsor company moved part of its Intellectual Property out of the reaches of a group of large sophisticated private lenders who originally financed the sponsor's LBO

Private Credit is starting to morph into simply non-mark-to-market 'CCC' bonds/loans, closely held by an ever expanding "club" of investors. The upshot is that this pool of capital should provide additional flexibility for stressed borrowers to refinance short-term maturities and provide an exit for short-duration public bond investors.

Risk Overlay (-10%)

Our Risk Overlay bucket was a source of negative return during the month. Our Risk Overlay is now largely composed of short positions in BB-rated corporate bonds and long-dated put options on select equity indices including Financials.

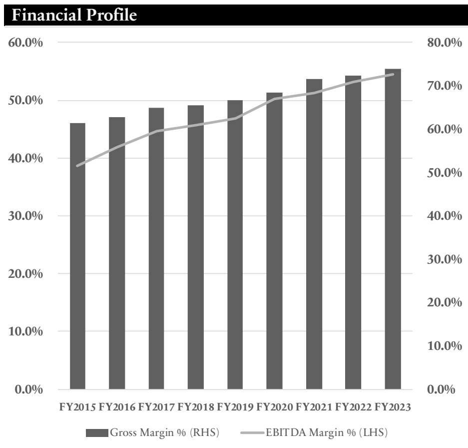
Summary

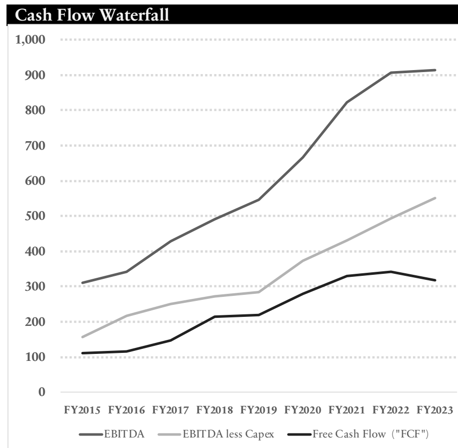
We are pleased with how we have positioned the portfolio. Our game plan remains the same, which is to avoid generic corporate credit "beta", hyper focus on short-term event-driven trades with high single digit IRRs/ low downside and underweight lower tier credit. As market conditions and prices change, we will adjust our focus accordingly.

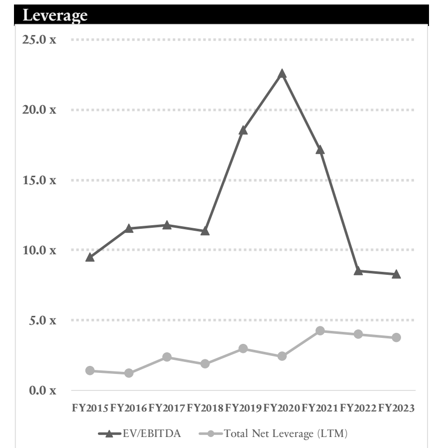
Cable One

Capital Structure						Fixed	LTM	
Tranche	Rank	Rating(s)	Face (mm)	Coupon	Maturity	Charges	Leverage	LTV
Revolver	1st Lien	Ba2/BB+	$ 238	7.175%	22-Feb-28	$ 17.1		
Term Loan B-2	1st Lien	Ba2/BB+	$ 238	7.672%	30-Oct-29	$ 18.2		
Term Loan B-3	1st Lien	Ba2/BB+	$ 747	7.672%	30-Oct-29	$ 57.3		
Term Loan B-4	1st Lien	Ba2/BB+	$ 778	7.444%	03-May-28	$ 57.9		
Total Secured Debt			**$ 2,001**	**7.52%**		**$ 150.5**	**2.2 x**	**36.1%**
Convertible	Unsec.	NR	$ 575	0.000%	15-Mar-26	$ -		
Convertible	Unsec.	NR	$ 345	1.125%	15-Mar-28	$ 3.9		
Unsecured Bond	Unsec.	BB-/B2	$ 650	4.000%	15-Nov-30	$ 26.0		
Total Unsecured Debt			**$ 1,570**			**$ 29.9**	**4.0 x**	**64.3%**
Total Net Debt			**$ 3,360**			**$ 180.4**	**3.7 x**	**60.6%**
Market Capitalization			$ 2,191				2.4 x	
Enterprise Value			**$ 5,549**				**6.2 x**	**100.0%**

EBITDA Margins, Gross Margins, Free Cash Flow has grown steadily for +10 years. Leverage has increased because of substantial common equity purchases which are now complete. FCF is likely to be diverted to debt reduction going forward.







Cable One bonds are priced substantially cheaper than many cable/fibre operators despite similar financial metrics and arguably better operating metrics.

Obligor	Charter	Comcast	Frontier	Cable One	Rogers	Bell	Videotron
Rating	BB-	A-	B+	B+	BBB-	BBB+	BBB-
Bond	CHTR 4.5 30	CMCSA 4.25 30	FYBR 6 30	CABO 4 30	RCICN 2.9 30	BCECN 2.5 30	QBRCN 3.125% 31
Leverage	4.4 x	2.2 x	4.6 x	3.7 x	4.5 x	3.6 x	3.0 x
Debt-to-Capital	68%	37%	60%	60%	59%	44%	54%
G-Spread	346 bps	62 bps	457 bps	532 bps	136 bps	123 bps	144 bps
Spread per Turn Lev	79 bps	28 bps	99 bps	**144 bps**	30 bps	34 bps	48 bps

Letter XV – April 2024

The NewGen Credit Strategies Fund, a corporate credit-focused liquid alternative strategy, generated a net return of 0.8% on the Class C units during the month of April. Our Net Exposure at month-end was 72% and Gross Exposure was 117% versus 76%/109% at the end of March. Our gross exposure is slightly higher than normal because of the anticipation of several Event-Driven trades running off next month.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2023	4.4%	1.1%	2.2%	0.7%	-0.1%	1.0%	1.2%	0.5%	0.2%	-1.4%	2.7%	1.6%	**15.0%**
2024	2.6%	0.8%	1.3%	0.8%									**5.6%**

The downward price action in the credit markets in April was driven by the "higher for longer" interest rate narrative. This caused yields on government bonds to rise. Credit spreads were largely unchanged, so the negative performance to credit assets was largely driven by underlying risk-free rates and *not* a widening of credit spreads.

	US Treasuries	Investment Grade	High Yield	Russell 2000	Credit Strategies
YTD	(3.26%)	(2.93%)	0.52%	(2.23%)	**5.60%**
April	(2.33%)	(2.54%)	(0.94%)	(7.04%)	**0.80%**

Source: Bloomberg

The Fund's outperformance versus broader credit indices was driven by several factors:

i. Large weighting in cash and cash equivalents of 24% entering the month and 28% exiting the month.
ii. Short positions in longer duration 'BB' high yield bonds including many new issues which exhibit more beta.
iii. Low interest rate duration.
iv. Broader market recognition of our thesis in Cineplex which is one of the Fund's largest position.
v. Tilt towards Canadian Dollar credit assets which performed better than US Dollar credit assets.

Core Corporate (~35% of NAV, 11 positions)

Our Core Corporate Carry portfolio was largely unchanged month-over-month, but we did increase our weights in several long standing, higher conviction positions. We had completed most of the pruning of our USD High Yield risk last month. At month-end, when matched off against our Risk Overlay, our Net Exposure to USD HY is only ~5% of NAV, a record low.

The yield on our Core Corporate portfolio is now ~9% with a duration of 2.6 years.

Event-Driven (~37%, 23 positions)

Tapestry {TPR 7.70% 11/30 Senior Unsecured Bonds}

We added this position to the Fund after the FTC announced it is suing to block the merger between Tapestry (Coach/Kate Spade) and Capri (Michael Kors/Jimmy Choo/Versace). The FTC argues the combined entity would control too much of the "accessible luxury" handbag market. The lawsuit has been widely panned. The bonds were issued by TPR to pre-fund its cash bid and, as such, contain what is called a "Special Mandatory Redemption" or "SMR" provision. An SMR is a clause that is triggered if the acquisition fails to close within a prescribed time-period and requires the issuer to redeem the bonds at 101. By our math, if the deal closes, spreads could rally 25-50 bps and lead to a +10% holding period return. If we are wrong and the deal breaks, we likely get redeemed at 101 in 2024-Q4 or 2025-Q1. However, if this takes place, we will collect the 7.7% coupon along the way and then incur a capital loss on redemption. This scenario would lead to a low single digit IRR. We think the 2030 bonds are the best risk-adjusted way to play the TPR/CPRI merger transaction.

Canadian Bank Preferred Share Redemptions

We took full advantage of favourable refinancing conditions for Canadian Bank junior capital securities by accumulating large positions in various Canadian Bank preferreds that we felt had a high probability of being redeemed on their next reset date. These include BMO.S, BMO.F, CM.Y, TD.M. The BMO.S was a particular big winner for the Fund given we bought the position between $21.00-$22.00 and it was just redeemed at $25.00. However, we think that there is now too much speculation in prefs that have longer dated resets and low reset spreads. Rate Reset Preferreds are very negatively convex creatures. Making the blanket assumption too far into the future that an issuer will redeem its preferred shares, *based on conditions today,* is a dangerous trade. There is no guarantee that all Canadian Bank listed preferred shares will be called on the next reset date. There are a group of upcoming Bank preferreds such as CM.O, TD.B, RY.H, BMO.T, TD.A and BMO.W that have reset spreads between 222 bps and 232 bps, far below market. Speculators have driven prices up to mid-$24 range with proforma dividend resets of ~6% even though the market is higher. If the LRCN and Institutional Pref market holds its current levels it is possible these get called. However, if we get a macro spread widening event such as the Regional Bank flare up in 2023, they have huge downside. Betting on these prefs for an *up +1, down -2 or more* payoff profile whilst twisting in the wind for much of 2024 is not a trade we will likely do at current trading levels.

The IRRs on our Event Driven portfolio range between 7.5%-12.5% with an expected event duration of 5.6 months.

Liquidity Provision (~28%)

We now have 8.4% of the Fund in liquid 60/90-day AAA-rated asset backed securities with the majority of the balance of our cash earning close to either Fed Funds or Canada Overnight rates. The *opportunity* cost of holding cash in our view is quite low and the *option value* of holding cash is quite high. If the market backs up, we will reallocate to our Core Corporate portfolio.

Special Situations/Stressed Credit (~14%, 7 positions)

Office Properties Trust {OPI 9% 03/2029 senior secured 1st lien bonds}

We acquired a new position in the bonds as part of a "clean-up" trade where a large seller drove down the price of the bonds from 94 to 88.25, where the block finally cleared. We have followed this bond like a hawk since new issue and got our chance to buy a position at a nice discount. The bond is secured by a first lien on a portfolio of OPI's top office assets. The assets have an appraised LTV of 52%, the weighted average lease term of 9.8 years, consistent 98% occupancy and the majority tenant exposure is to Governments. The implied GAAP NOI cap rate thru the market value of the bonds is 15%. The implied Cash NOI cap rate thru the par notional of the bonds is 11%. *(Appendix I)*

Private Credit - the Apex Predator

Private Credit is quickly becoming the *Apex Predator* asset class within corporate credit markets. A recent transaction by packaging company Ardagh saw them unexpectedly borrow ~$1 billion in new debt from Apollo by pledging the assets of a subsidiary that was unencumbered under the existing bonds. The existing capital structure sold off sharply after the deal was announced with bonds down as much as 20 pts. With bond documentation weak over the last five years, we expect more stressed companies to exploit loose creditor documentation to raise new *PRIVATE* debt to the detriment of legacy *PUBLIC* bond holders. The combination of a fresh, large pool of private debt capital and loose bond documentation will likely lead to lower recoveries this cycle. The job of many smaller credit investors like us, who focus on public tradeable securities, will be to avoid becoming prey at the hands of large private debt investors.

The yield on our Special Situations/Stressed portfolio (excluding our CGX convertible) is now ~11%.

Risk Overlay (-13%)

Recall from last month that we had been shorting new issues after they break higher on the secondary market. A new short position for us is a bond issued by Vail Resorts {MTN 6.50% 2032}, the ski resort operator. This bond is rated BB- and had an option adjusted credit spread ("OAS") of only 121 bps where we shorted it, making it the 3rd tightest high yield bond in the +2000-bond high yield index. The BB Index itself had a credit spread of 186 bps when we shorted the bonds. Below is a sample of recently issued bonds where we used our new issue shorting strategy:

	Issue Price	Peak	Trough	Peak/Trough
Sally Beauty	100	100.5	95.5	5.00 points
Amer Sports	100	101.375	97	4.375 points
Red Rock Resorts	100	101.5	97.875	3.625 points

We also initiated a new short position in the 30-year credit spreads of Bell Canada. There appears to be a disconnect between what the equity markets are telling us vs. what the credit markets are telling us. The equity is at multi-year lows, while BCE's credit spreads are at multi-year tights. Leverage has been creeping up at BCE and is now 3.6x versus 3.48x last quarter and they amended their corporate policy to have a higher leverage target (3.0x) and seem content to continue to have a +100% dividend payout ratio for the next couple of years. We believe it is a distinct possibility that they could drop to BBB (low) eventually if they do not de-lever to 3.25x. The common equity looks cheap relative to the credit to us.

Summary

The Fund is walking a fine line between being cautious and disciplined with its capital, and trying to skillfully earn our required return. This is a tricky environment because one can get seduced by higher absolute yields only to have your heart broken by higher credit spreads down the road. We suspect that any rally in government bond yields will be met with credit spread widening. This would result in muted capital appreciation. Whiffs of Stagflation are now entering the narrative at month end, which is bad for longer duration credit assets. We still think it's the wrong time to extend credit duration and lock in longer yields in the fixed income market.

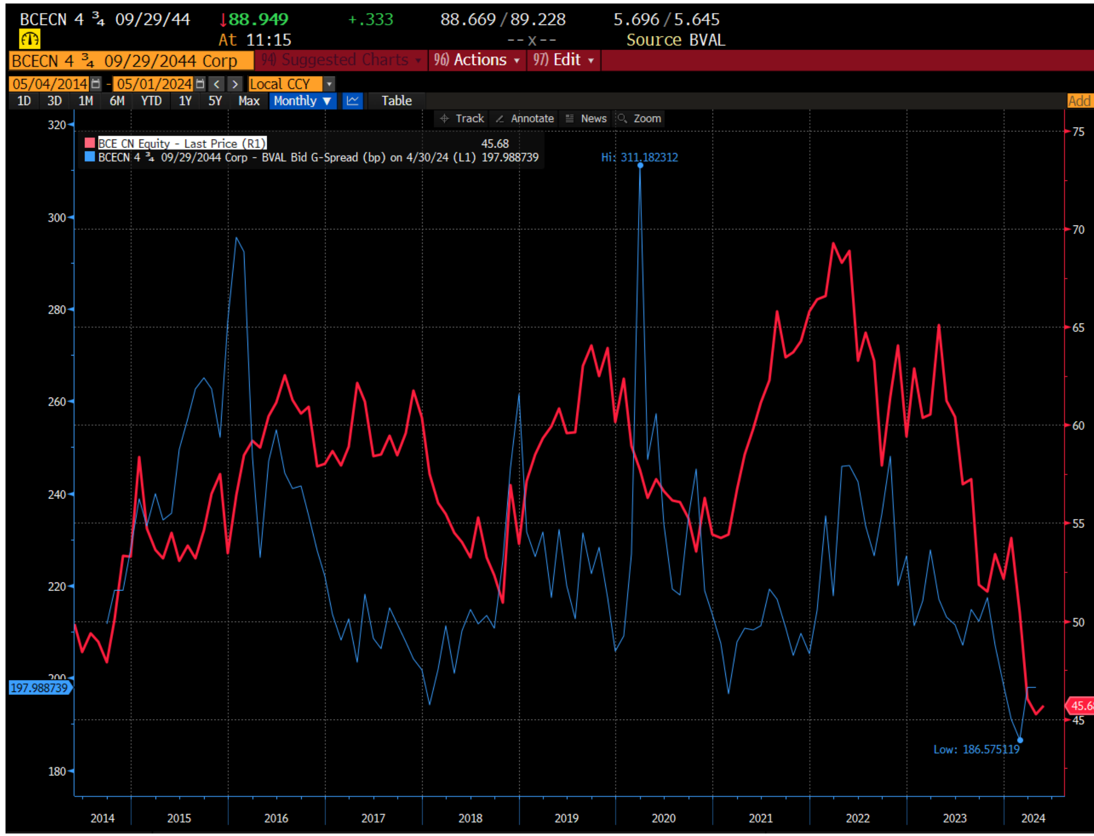
Appendix I

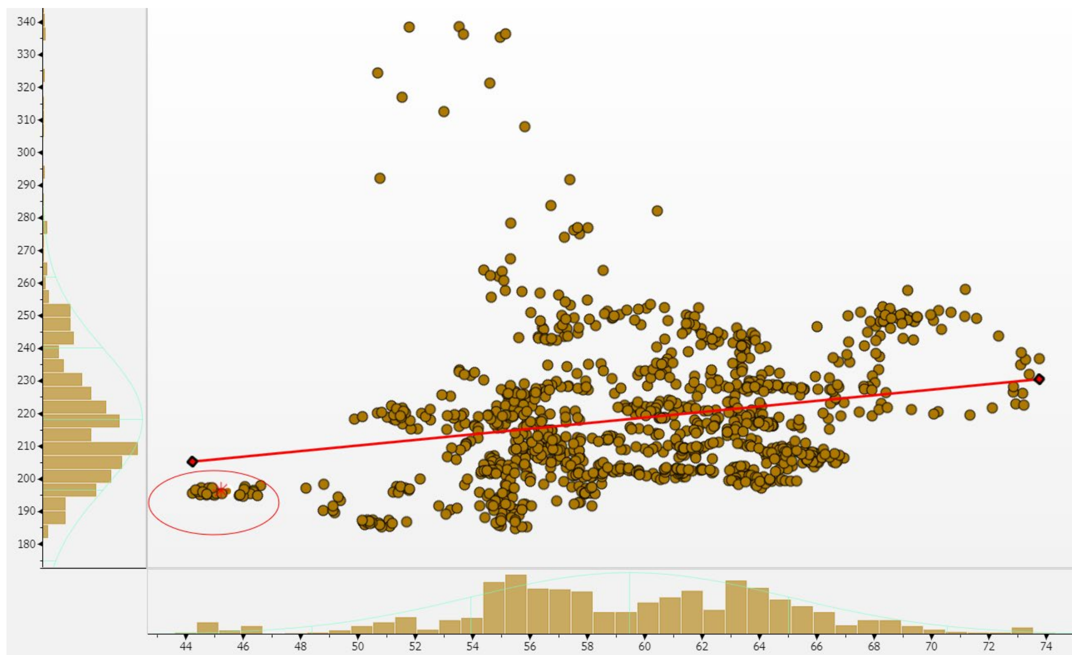
City	Square Feet	Year Built/Renovated	Type	Primary Tenant Industry	Credit Rating	Tenant	WALT	Occupancy
Atlanta	357,570	2020	Office	Other Business Services	Not Rated	Multi	12.0	100%
Provo	411,662	2000	Office	Computer, Technology	BB/Ba	Multi	10.3	94%
Silicon Valley	96,415	2012	Office - R&D	Communications	B/B	Single	9.2	100%
Sacramento	163,840	1988	Govt - Office	State Government	AAA/Aaa	Multi	6.5	97%
South Florida	135,819	1999	Office	Insurance	AA/Aa	Single	14.1	99%
Silicon Valley	65,840	2014	Office - R&D	Communications	B/B	Single	11.3	100%
Silicon Valley	68,243	2011	Office - R&D	Aircraft	Not Rated	Single	7.2	100%
San Antonio	99,986	2004	Office	Insurance	AA/Aa	Single	5.1	100%
Austin	93,188	1999	Office	Computer, Technology	AA/Aa	Single	5.8	100%
San Diego	46,370	2020	Office	Government Contractors	BBB/Baa	Single	7.5	100%
Richmond	225,000	2011	Industrial - Distribution	Miscellaneous Manufacturing	Not Rated	Single	10.3	100%
Sacramento	87,863	1992	Govt - Office	State Government	AAA/Aaa	Single	9.8	100%
Boise	90,855	1996	Govt - Office	U.S. Government	AAA/Aaa	Single	8.1	100%
Phoenix	66,743	2013	Office	State Government	AA/Aa	Single	9.3	100%
Boise	59,696	1997	Govt - Office	U.S. Government	AAA/Aaa	Single	8.1	100%
Boise	30,401	2002	Govt - Office	U.S. Government	AAA/Aaa	Single	18.4	100%
Burlington VT	26,609	2009	Govt - Office	U.S. Government	AAA/Aaa	Single	0.8	100%
	2,126,100						**9.8**	**98%**

Appendix II

Bell Canada Common Equity vs. 30-year Corporate Bond Spreads

Stock at 10-year Lows but Credit Spreads at 10-year Tights





Letter XIV – March 2024

The NewGen Credit Strategies Fund, a corporate credit-focused liquid alternative strategy, generated a net return of 1.3% on the Class C units during the month of March. Our Net Exposure at month-end was 76% and Gross Exposure was 109% versus 76%/107% at the end of February.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2023	4.4%	1.1%	2.2%	0.7%	-0.1%	1.0%	1.2%	0.5%	0.2%	-1.4%	2.7%	1.6%	**15.0%**
2024	2.6%	0.8%	1.3%										**4.8%**

Year-to-date the USD High Yield market is up 1.23% and a generic Hedge Fund Event Driven Index we track is up 0.72%. For Q1 2024, please see below for a breakdown of gains (gross of fees):

Interest Income	20%
Eligible Dividend Income	8%
Foreign Dividends	2%
Realized Gains	32%
Unrealized Gains	38%
	100%

Core Corporate (36% of NAV, 12 positions)

We continue to de-risk our Core Corporate Carry portfolio. Less than 1/3 of the portfolio now sits in USD High Yield, the balance is in short-dated busted convertibles, preferred shares, aircraft-backed equipment trust certificates, investment grade obligors. For context, when high yield spreads were much wider in early 2023 we had significantly more exposure to USD High Yield in this sub-portfolio. However, we now think USD High Yield is one of the richer corporate credit asset classes, hence our flight to quality. We are not discouraged, as there are always pockets of opportunity to find attractive, higher yielding core assets in the multi-trillion-dollar corporate credit asset class.

Event-Driven (~30%, 19 positions)

The opportunity set in event-driven credit is the best we have seen in terms of *frequency* of opportunities since the Fund's inception. We added at least a half dozen new positions to the Fund in March at attractive IRRs, including a few short positions.

We added a short position in an investment grade REIT that we think will get downgraded to junk and cause forced selling by investment grade index funds. Investment grade bonds usually trade on "spread" not yield/price like high yield bonds. Once a credit gets downgraded to junk it is most likely to be evaluated on a yield or price basis, likely causing this bond to trade down due to its position on the credit curve.

We unwound our Long Videotron/Short Cogeco pairs trade at a 23 bps credit spread differential having put in on at around 100 bps. We think eventually QBRCN bonds trade tight to CCACN bonds but elected to leave the last 20 bps or so for someone else as the risk/reward no longer justifies the position.

We were actively trading Inter Pipeline {IPLCN} investment grade debt during the month. DBRS put them on Negative Credit watch because of issues at their Heartland petrochemical facility. This caused spreads to blow out 25 bps. We "bought the credit spread wides" across the 2034, 2044 and 2051 bonds when it was alleged that there had been zero

"long-only/real money" buyers. We then sold our position roughly 13 bps tighter a few days later for a capital gain. This was a repeat of a trade we did last year where AT&T CAD Long bonds blew out after a WSJ article about lead in their cables. Capturing 10-20 bps moves in investment grade long bonds can be profitable venture given the duration of the bonds allowing for quick 1-3 point capital gains.

Liquidity Provision (~24%)

- We continue to hold a healthy weight in cash and cash equivalents.

Special Situations/Stressed Credit (~19%, 6 positions)

We made no changes to this portfolio in March. However, we generated significant gains from our ~5% position in the busted convertible bonds of Dye and Durham {DNDCN 3.75% 26}. We started buying the bonds in the mid 70s last year. The credit has been subject to a cornucopia of events in the last few quarters (see Appendix). As each event unfolded and new information revealed, the probability of getting Par back early increased. When probabilities change…prices should change. At each node, we did not take profits but in fact increased our position at incrementally higher prices. We now expect to get close to Par back on our position shortly. Round trip the position generated 130 bps of gross return. This is a good example of a situation where we have been able to take multiple bites of the same apple by sticking with a position.

Telecommunications, Media, Cable Satellite

Pain continues to spread in this corner of the credit markets, we only point it out because perceived credit risk often starts in certain sectors or names but tends to spread like a disease. Several Mêlée à Trois' are breaking out across several TMT credits as secured bondholders, unsecured bondholders and common equity holders battle each other to grab whatever they can on declining enterprise values. Being a small creditor in a distressed situation is a treacherous proposition this credit cycle compared to prior ones, as the trend has been towards companies pursuing "Liability Management Exercises" rather than simply filing for Chapter 11. These LMEs often prejudice smaller, passive investors as large, distressed investors attempt to box out other bondholders in their respective classes and cut side deals for themselves with management for better bond terms. Common equity holders are also using the threat of insolvency to cram down distressed exchanges and force hair cuts onto bondholders. The latest flare up is Altice France, the management team told investors they would have to participate in "discounted transactions" to help the company slash its debt. Then rumours circulated that secured bondholders were trying to wipe out the unsecured holders as part of a restructuring. A tranche of unsecured bonds traded down from 70 cents to 30 cents.

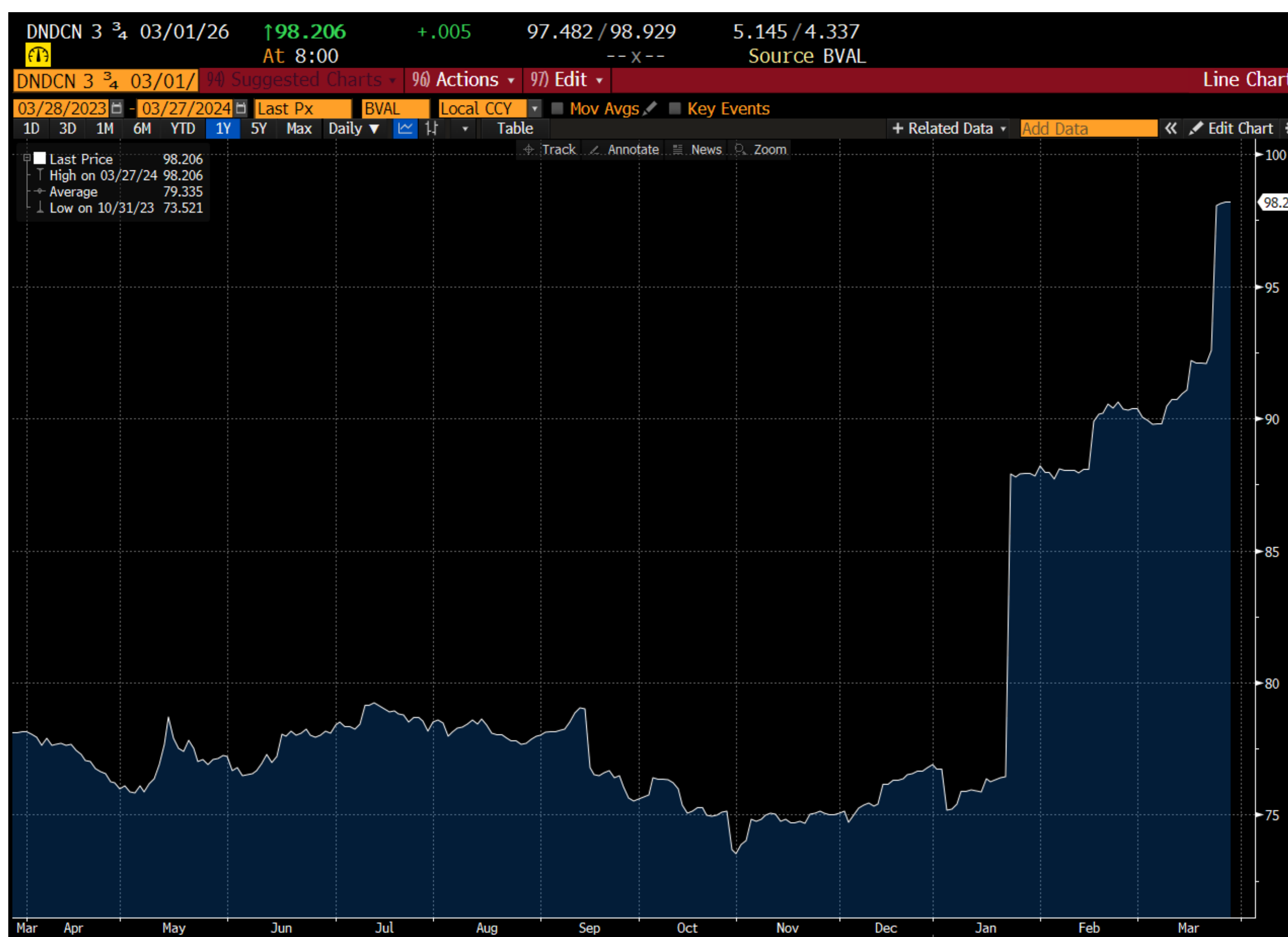
Risk Overlay (-9%)

We continue to short sell selective USD High Yield new issues that have traded above par "on the break" purely on investor demand driven by inflows not fundamentals. We added to our long-dated out of the money put positions on Canadian Banks to hedge out a portion of the tail-risk in a few our preferred share exposures.

Summary

The opportunity to deploy capital remains robust despite macro tightening in corporate credit spreads. Credit markets being wide open has been a catalyst for refinancing debt maturities, M&A, asset sales and other corporate events that typically occur at the tail-end of a bull market. Opportunities are beginning to emerge on the short-side for the first time in awhile, which is very exciting. Pure fund flows and passive indexers have driven certain credits to overvalued territory. USD corporate credit remains rich to CAD credit, so we have shifted some of our exposures out of the US into Canada. In addition, select preferred shares and convertibles look cheap to us relative to straight corporate debt. We continue to outright avoid many sectors including TMT, Retail, CCCs and LBO Debt. Regardless of overall macro conditions, the Fund is small and nimble enough to find and execute on event-driven opportunities while we await better entry points to reallocate to our Core Corporate Carry portfolio.

Appendix – Dye & Durham (DNDCN 3.75% 2026 Unsecured Convertibles)



Date	Event	Price (before)	Price (after)
24-Jul-23	Offer to purchase a portion of the bonds at between 50-65 cents for cash	78.50	78.63
20-Oct-23	Offers to exchange a portion of bonds to new 2028 bonds at a discount to par	75.25	75.00
13-Nov-23	Announces strategic review of non-core assets to accelerate deleveraging	75.00	74.75
07-Dec-23	Revised exchange offer, increases size	75.25	75.50
05-Jan-24	Revised exchange offer, increases size again	75.13	75.50
17-Jan-24	Issues $126mm of common stock with proceeds to reduce debt	76.25	88.00
15-Mar-24	Changes to Board of Directors	91.00	92.00
20-Mar-24	Announces the refinancing of the existing credit facility and 2026 bonds	92.00	98.00
01-Apr-24	Announces proposed $500mm of new secured bonds	97.50	98.50
01-Apr-24	Intends to make an offer by way of a SIB to purchase all the 2026 bonds	97.50	98.50

Letter XIII – February 2024

The NewGen Credit Strategies Fund, a corporate credit-focused liquid alternative strategy, generated a net return of 0.83% on the Class C units during the month of February. Our Net Exposure at month-end was 76% and Gross Exposure was 107% versus 86%/92% at the end of January.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2023	4.4%	1.1%	2.2%	0.7%	-0.1%	1.0%	1.2%	0.5%	0.2%	-1.4%	2.7%	1.6%	**15.0%**
2024	2.6%	0.8%											**3.4%**

Approximately half of the month's return came from the realization of our thesis on Cineplex ("CGX"). CGX convertibles, and secured bonds, have been the largest position in the Fund since late 2023. We were part of a small group of creditors that were taken private after we proposed a balance sheet restructuring transaction to the Company, and its Bankers, last year. We agreed to reduce our non-callable convertible bond principal by ~31% at a cash price of 102.35 and then take back a new convertible with a 7.75% coupon and 25% conversion premium. In addition, we agreed to help refinance the existing 2nd lien bonds with new secured bonds, thereby redeeming our bonds at a premium. All told, the transaction generated ~75 bps of gross return for the Fund. Additionally, we think the new convertible could be worth more than where it's currently trading given several expected catalysts in 2024.

Core Corporate (41% of NAV, 16 positions)

We continue to trade up in quality within our Core Corporate Carry portfolio. As high yield credit starts to trade inside of 7% with a credit spread of < 300 bps we are trimming risk. Currently ~50% of the sub-portfolio is in Investment Grade obligors including 12% in short-duration AAA-rated asset-backed securities.

We begrudgingly sold our long-standing position in the secured bonds of BlueLinx {BXC 6% 11/29}. The bonds railed to a yield less than 7% and a credit spread of 275 bps. While the Company has more cash than debt, we were somewhat concerned that the risk of them completing a larger cash acquisition was not properly priced in.

Event-Driven (~25%, 19 positions)

PGT Innovations {PGTI 4.375% 29): We sold our position after the HSR regulatory review period expired, causing the bonds to trade up. This compressed our expected IRR to the closing date to less than 6.50%. Our IRR on the position was 10.3% on a relatively straightforward and clean risk arbitrage trade.

***Advance Autoparts {AAP 29s & 30s}*:** We sold our position in the 2029s and are now short the 2030s. It has been a strange time trading AAP bonds. AAP got downgraded to BB+ by S&P last year, and one week before earnings in Feb they were downgraded by Moody's to Baa3(neg), still investment grade. However, one large high yield ETF takes the "average" credit rating for inclusion. As a result, it caused forced buying of AAP bonds at what we think are rich levels: a) ~6% yield and b) < 190 bps credit spread. We sold the high yield ETF our long position in the 29s and then shorted them the 30s.

***Carriage Services {CSV 4.25% 05/29}*:** The Company announced earnings, and while they had multiple transaction proposals, they elected to shelve the Strategic Review and maintain status quo. Our thesis was that a takeover by a larger death care company would trigger a 101 Change of Control. We quickly sold our position for a gain as the quarter was better than expected. Our IRR was ~9.4% on the position which we initialized at the Fund's inception.

First Quantum {FMCN 2025s and FMCN 2026s}: announced a comprehensive recapitalization of the Company with new equity, copper prepay agreement and new debt to refinance short-term bond maturities. We were taken out of our short-end positions at par subsequent to month-end, earning a high single digit return on the position.

Hawaiian Airlines ***{HA 5.75% 01/26}*****:** We are back in the Hawaiian leisure travel business. When the US court decision came down killing the SAVE/JETBLU merger deal, HA's bonds traded down to 91.5. We re-bought our position and then shorted some common stock against it. We think the bonds are implying a much lower probability of the deal closing when compared to the common equity. The implied probabilities are mismatched and there is a much better "upside/downside" in the bonds versus the stock. For those interested, the judges ruling on the SAVE/JETBLU provides interesting insight into the US airline industry: https://assets.bwbx.io/documents/users/iqjWHBFdfxIU/rOl7x4YbSJj0/v0

We have a closed-end arbitrage position that has caused some negative Fund performance this month. We are long a closed-end fund and short the exact amount of the underlying assets. The closed-end fund is under strategic review with an outcome expected by April. Our thesis is that actions will be taken to close the discount. The discount to NAV is now 40% versus ~25% when we initiated this trade.

Liquidity Provision (~24%)

The Fund had ~24% of its NAV in cash and cash equivalents at month-end up from 14% at the end of January.

Special Situations/Stressed Credit (~16%, 7 positions)

Weight Watchers {WW 4.5% 29 Secured Bonds}: We purchased a small weight [no pun intended] when the bonds dropped from 66 cents to 49.5 cents, where we bought our bonds, and then rallied back up to 53.5. WW is over-levered and has a challenged legacy business model. However, their new CEO is attempting to digitize a business anchored by its very popular app, and become a conduit for the public to obtain weight-loss drugs. We thought the risk-reward was in our favour at 49.5 cents and the Company has a long liquidity runway. Quarterly results were inline with our expectations, but we were surprised by the announcement that Oprah Winfrey was leaving the Board and donating all her stock to the National Museum of African American History and Culture. We realized we had it wrong and sold our bonds crystalizing a 6 bps loss for the fund.

Risk Overlay

We were very active in our hedging this month accumulating short positions in a handful of securities. One strategy we have now employed is shorting new issues after they break higher in the secondary market. Capital inflows have created a frothy primary market. One of the benefits of shorting new issues, especially ones with long settlement times, is we don't have to pay the coupon and borrow costs on the bonds. New issue bonds have a lot of market beta to them, so they become cheap market shorts.

Sally Beauty {SBH 6.75% 03/32}: SBH sells beauty products. Sales and margins have been declining. The Company is 2.5x levered and will use FCF to buy back stock. The bonds were issued at 100 and we shorted them just above that.

American Sports {AS 6.75% 02/31}: AS is a 4x levered sporting goods company that sells branded products such as Arc'teryx, Salomon, Wilson, and Louisville Slugger. The bonds traded up to 101.25 after being issued and we shorted them.

Summary

Corporate credit markets are richer today then they were last month. Money is flowing into a frothy primary market but against widening dispersion across sectors/ratings/tenors. Corporate credit investing is often about *exclusion not inclusion* as outperformance is driven by the bonds and sectors you do not buy, rather than the ones you do buy. One factor in our positive performance has been our avoidance of "hot zones" such as US Cable, Satellite, Telecommunications & Media which is ~15% of the USD High Yield Index and has had negative returns year-to-date. We have taken a long look at the sector and have followed it closely over 2023 and decided there is far too much risk relative to the possible return at this juncture. (see Appendix below)

Appendix –US Cable, Satellite, Telecommunications & Media

High Yield indices have had muted performance so far this year in part because of the substantial negative returns for a handful of large sectors. The USD TMT sector was once considered one of the highest quality "low beta" sectors within the high yield market but has now turned into a killing field. The industry is mature with competition increasing while balance sheets are very levered. In a nutshell, the way video content is: *1) created, 2) distributed and 3) consumed* continues its rapid change. A sampling of "buzz phrases" from news article about the industry:

cord cutting, cord shaving, cord-nevers, streaming wars and joint ventures, writer's strikes, actor's strikes, sports content inflation, fixed wireless access, fiber to the home, fiber overbuilding, network convergence, levered buyouts, asset stripping, creditor-on-creditor violence, Chapter 11, conventional advertising declines, regulatory subsidy expiry, stock buy backs, failed asset sales, distressed exchanges, death of linear TV and regional sports networks, artificial intelligence

The charts below show a summary of the subsectors as well as key obligors:

Sector	YTD Return	Credit Spread	Yield
USD HY Index	+0.21%	331 bps	7.89%
Broadcasting	(3.15%)	474 bps	9.22%
Cable TV	(3.72%)	601 bps	10.44%
Entertainment	(0.90%)	593 bps	10.57%
Media	(0.17%)	540 bps	9.94%
Telecom	(0.39%)	561 bps	10.10%

Obligor	Par Value (Bonds)	Market Value	Price	Comment
Dish	$13.2 bn	$10.1 bn	76	Mounting subscriber losses. Creditor lawsuits for asset-stripping.
Charter (HY)	$27.2 bn	$23.7 bn	87	Negative broadband adds. Levered merger with Altice?
Charter (IG)	$54.3 bn	$45.6 bn	84	Potential downgrade to junk. Massive capex program.
Cablevision	$20.1 bn	$16.1 bn	80	Extremely levered unsustainable capital structure.
Cable One	$1.57 bn	$1.24 bn	79	Fixed Wireless Access becoming a competitive threat.
Sinclair Broad.	$1.5 bn	$1.1 bn	77	Cord cutting, structural shift in advertising to digital from linear.
Gray TV	$3.6 bn	$2.7 bn	76	Cord cutting, highly levered balance sheet
AMC	$1.8 bn	$1.4 bn	80	Content inflation, linear advertising declines, levered
Frontier	$7.9 bn	$7.5 bn	95	Overbuilding fiber network with levered balance sheet
Paramount	$14.7 bn	$12.2 bn	83	Company is up for sell resulting in any number of permutations
Lumen/LVLT	$6.4 bn	$5.7 bn	90	Over-levered. Asset-stripping and value leakage amongst creditors
IHeart Radio	$3.0 bn	$2.1 bn	71	Extremely levered unsustainable capital structure.

The elephant in the room remains Charter Communications. CHTR is ~4.5x levered and is experiencing a rapid decline in cable subscribers on account of fixed wireless access competition and cord cutting. Should CHTR be downgraded to junk status, ~$54 billion of investment grade bonds would need to find a home in the high yield market. The sheer size of this rotation may cause prices to decline within the sector making any bottom-up security selection futile. We also see the potential for contentious defaults at DISH, Cablevision/Altice, Lumen/LVLT, Iheart and perhaps a broadcaster as well. At present we think the sector is too risky to get involved in despite what appears to be beaten up prices and juicy yields. To the indexer or closet indexer, exposure to this sector is required which is why the sector is starting to weigh on index returns. This situation highlights one of the problems with indexing in the high yield bond market. *The more debt a company issues, and the more leverage it incurs, the larger the resulting index weight becomes and thus the more investors need to buy the debt!* This is somewhat paradoxical to equity indexing, where the healthier the Company, the larger the equity market capitalization, and thus the higher weight in the index.

Letter XII – January 2024

The NewGen Credit Strategies Fund, a corporate credit-focused liquid alternative strategy, generated a 2.6% net return on the Class C units during the month of January. Our Net Exposure at month-end was 86% and Gross Exposure was 92% versus 88%/102% at the end of December.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2023	4.4%	1.1%	2.2%	0.7%	-0.1%	1.0%	1.2%	0.5%	0.2%	-1.4%	2.7%	1.6%	**15.0%**
2024	2.6%												

Roughly half of the month's returns came from three material positions that benefited from specific events:

- Brookfield Office Preferreds – downgrade, index rebalancing event, NCIB, +71 bps to Fund's performance
- Dye and Durham – raised common equity, exchange offer, board refreshed, +69 bps
- Carroll's Restaurants – take-over by Restaurant Brands International ("RBI"), +39 bps

We also now have 5 convertible bond positions in the portfolio. One of them is busted, 3 of them are "balanced" convertibles where we are comfortable with the underlying business and think there are events on the horizon which could lead to capital appreciation in the underlying common stock.

Core Corporate (32% of NAV, 14 positions)

We made the tactical decision to exit certain positions during the month largely on valuation concerns. This is the lowest aggregate positioning we have had in our Core Corporate Carry portfolio since the inception of the Fund.

Canadian Bank LRCN

We sold our two positions in USD Canadian Bank LRCN paper {TD 8.125% & BNS 8.625%} and replaced them with cheaper dividend-paying Royal Bank CAD paper. We think over the fullness of time that "eligible dividend" prefs in Canada will trade at a much higher valuation than their "interest bearing" cousin the LRCN. While both instruments are essentially identical, investors in Canada are ignoring the large tax advantage of eligible dividends versus interest income. Most managers are benchmarked and compensated based on gross returns, so they have little incentive to buy dividend prefs at a modestly lower yield to interest bearing instruments. The former, provides materially better after-tax returns to the end user.

Carrols Restaurant Group – Senior Unsecured Bonds {TAST 5.875% 07/29}

Carrols agreed to sell themselves to RBI in an all-cash deal. RBI made the strategic decision to take on the large group of Burger King Restaurants themselves, to renovate them and then refranchise them in piece meal fashion. As a result of the deal, the bonds will be called at ~102.375 on closing. We elected to exit the position at ~102. We accumulated the position in the low 80s, so the trade resulted in a ~22% gross return We made a mistake not owning more of this bond as it was a high conviction position.

Other sales

We sold our bonds in Titan International {TWI 7% 04/28}, Vector Group {VGR 5.75% 02/29} and Cars.com {CARS 6.375% 11/28}. These were all long standing positions bought at much lower prices over 2023 where we feel the current valuations of the bonds are stretched.

We added a fixed income closed end fund position that is trading at around 10% discount to fair value with a 10% yield.

Event-Driven (~33%, 19 positions)

We added four new positions this month. Given the robust opportunity set, we continue to reduce our Core Corporate Carry positions in favour of trades that are tethered to hard events such as M&A, refinancing, index rebalancing, and asset sales. We have a few larger positions where we are excited about the possibility of creditor friendly actions in the next 3-6 months.

Liquidity Provision (~14%)

The Fund had ~14% of its NAV in cash and cash equivalents at month-end up from 10% at year-end.

Special Situations/Stressed Credit (~16%, 7 positions)

Dye and Durham Senior Unsecured "Busted" Convertibles DNDCN 3.75% 26

We quietly accumulated a large position in the subject bonds over 2023 at between 75-78 cents on the dollar. DND's core business provides "sticky" software to legal professionals. We viewed the bonds as being mispriced relative to the true credit risk and there had been large ongoing sellers of the bonds for most of the year. The market was concerned about leverage, a short maturity profile, and a top-heavy debt structure. However, from our experience you can't walk around the USD leveraged finance market without tripping over dozens of 4x-6x levered software businesses of an inferior nature to DND. We had a differentiated contrarian view that the debt structure was financeable/fixable. DND refreshed its Board and completed an exchange offer. We elected to not participate in the offer as we viewed it to be unattractive versus simply holding onto the existing bonds, and finally DND raised common equity. As a result, the bonds traded up 7-9 points. Instead of taking profits, we added to the position in the low 80s. The bonds are now at 88 bid and its possible the Company uses the common equity proceeds to buy back these bonds in the open market or via an SIB. If nothing happens, we are happy to hold them to maturity. In the low 70s, these bonds were one of the cheapest risk-adjusted securities we invested in during 2023.

Brookfield Office Properties {BPO} / Brookfield Property Partners {BPY} Preferred Shares

It was hand-to-hand combat trading BPO Prefs all month. Our mission was to exit the month with a 3% weight in what we believe are the cheapest four preferreds within the BPO complex. As we described last month, an S&P downgrade caused the prefs to be deleted from the main preferred share index. We flattened our position as soon the announcement occurred to wait for lower prices on the index rebalance day when one of the large pref ETFs needed to sell a large position. However, it became clear from how the prefs were trading that other investors were waiting for the event to get liquidity on the long side. We pivoted and started aggressively accumulating our position instead of trying to buy in the Market on Close "MOC". We are now content with our positioning after a daisy-chain of 238 trades in the BPO complex. We are likely to sit back and collect the dividends for the time being unless there is a meaningful appreciation in value in the securities.

Risk Overlay

We continue to add to our long-dated out of the money put options on Canadian banks and short position in the ZPR.

Summary

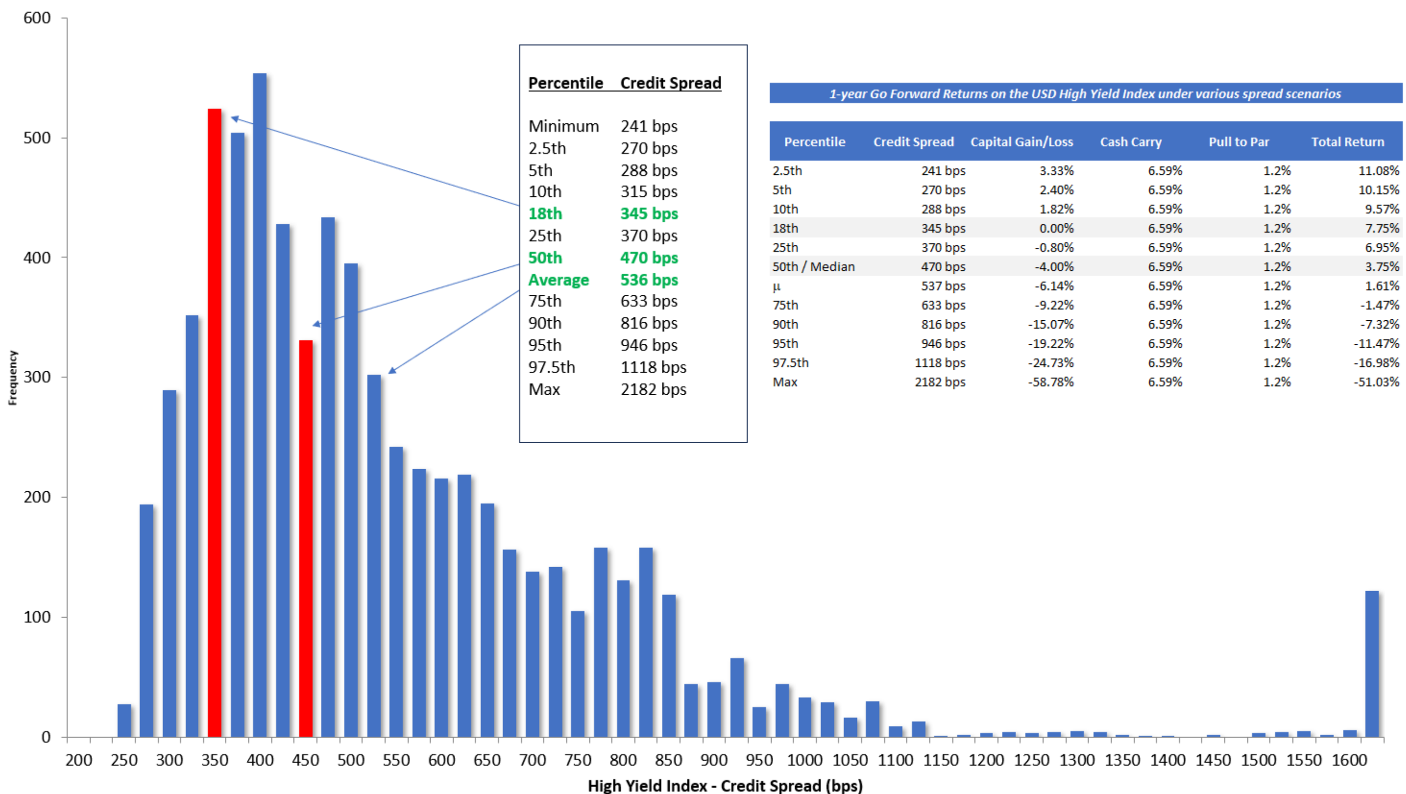
Actual Credit Risk is the highest when *Perceived Credit Risk* is the lowest. Perceived credit risk continues to decline as evidenced by tightening credit spreads and low asset volatility. It is easy to say that the credit markets are too frothy looking at a time series of historical data but a more nuanced look at the data suggests a more balanced distribution of possible future outcomes (see Appendix). We are investing cautiously but pragmatically knowing we are not macro forecasters. The opportunity set is very robust to start the year, especially in the Event-Driven sphere, and we continue to slowly raise additional capital while trying not to dilute existing investors returns. However, most of if not all of our trades are 5x-10x scalable from current levels.

Appendix – Relative State of Credit Market

The graph below shows a histogram of daily high yield credit spreads going back to 1997. Compared to interest rates and stocks returns, credit spreads tend to exhibit more mean reversion. The probability distribution of credit spreads is "right skewed" with a mean credit spread of 538 bps and the median credit spread is 470 bps versus the current spread of 345 bps. Many prognosticators like to show a time series graph of credit spreads and point out how low they are versus the "average" credit spread over say 20 years. They may be falling victim to a few statistical bias's inherent in the data:

- *Estimator Bias: Distance from the Median* is the more important metric than *Distance from the Average*. The median represents the "typical state" or "most likely state" of the credit markets. The average is skewed and captures short periods of time were credit spreads spike extremely high on little volume.
- *Quality Bias:* The composition of the high yield market has consistently improved in credit quality over the last decade with "BB" weights consistently increasing and "CCC" weights consistently declining.
- *Price Bias:* Dollar prices are lower today than in past periods meaning the expected recovery from defaults (on a pct. basis) all else equal should be higher versus other periods where bonds trade at a premium to Par. The difference in returns between a 90-dollar bond and a 105-dollar bond that defaults and recovers 40 cents is significant and this means one needs less credit spread to compensation for the total expected loss.
- *Size and Diversification Bias:* The high yield market is bigger, more liquid and more diversified compared to say 10-15 years ago which means risk premiums should be lower. Industry concentration risk, which has plagued the market in the past, is less today than it was 5, 10 and 20 years ago.

Therefore, while valuations are on the high end we are no where near on the tight end of high yield credit spreads. We are more likely hovering around just the 2nd quartile of richness factoring in the above. The table below shows a cocktail napkin forward 1-year return calculations for the high yield index should credit spreads move to various scenarios. Even a reversion to the median or mean over 1 year, returns on the asset class are likely to be positive albeit muted.



Percentile	Credit Spread
Minimum	241 bps
2.5th	270 bps
5th	288 bps
10th	315 bps
18th	**345 bps**
25th	370 bps
50th	**470 bps**
Average	**536 bps**
75th	633 bps
90th	816 bps
95th	946 bps
97.5th	1118 bps
Max	2182 bps

1-year Go Forward Returns on the USD High Yield Index under various spread scenarios

Percentile	Credit Spread	Capital Gain/Loss	Cash Carry	Pull to Par	Total Return
2.5th	241 bps	3.33%	6.59%	1.2%	11.08%
5th	270 bps	2.40%	6.59%	1.2%	10.15%
10th	288 bps	1.82%	6.59%	1.2%	9.57%
18th	345 bps	0.00%	6.59%	1.2%	7.75%
25th	370 bps	-0.80%	6.59%	1.2%	6.95%
50th / Median	470 bps	-4.00%	6.59%	1.2%	3.75%
µ	537 bps	-6.14%	6.59%	1.2%	1.61%
75th	633 bps	-9.22%	6.59%	1.2%	-1.47%
90th	816 bps	-15.07%	6.59%	1.2%	-7.32%
95th	946 bps	-19.22%	6.59%	1.2%	-11.47%
97.5th	1118 bps	-24.73%	6.59%	1.2%	-16.98%
Max	2182 bps	-58.78%	6.59%	1.2%	-51.03%

Letter XI – December 2023

The NewGen Credit Strategies Fund, a corporate credit-focused liquid alternative strategy, returned 1.6% net of fees on the Class C units during the month of December and posted an 15.0% return for the full year ended 2023. Our Net Exposure at month-end was 88% and Gross Exposure was 102% versus 60%/113% at the end of December.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2023	4.4%	1.1%	2.2%	0.7%	-0.1%	1.0%	1.2%	0.5%	0.2%	-1.4%	2.7%	1.6%	15.0%

The returns in 2023 can be attributed across wide variety of asset classes, sub-strategies, industries and idiosyncratic situations. For the benefit of investors, we have provided a return attribution summary in the Appendix. By position, approximately 85% of our trades had a positive contribution to performance. This is what we call "batting average" or "hit ratio" and our goal is to maintain this above 80%. The source of negative returns came from three idiosyncratic investment mistakes plus our market or "beta" hedges. 85% of the return attribution came from longs and ~15% from short positioning. Finally, around ~59% of the return can be attributed to our event-driven strategy despite it being between 15%-30% of our NAV through the year.

Core Corporate (48% of NAV, 20 positions)

Our positioning remains largely unchanged. We exited our position in G-III Apparel's 7.875% 08/25 bonds during the month after they appreciated in value to 100.75 or 6.59% yield-to-worst. The bonds are currently call protected at 101.969 but the call price steps down to 100 in August. We saw little upside from current trading levels. As a general rule we start to trim our holdings as they start to trade close to or above the call price and become negatively convex.

Event-Driven (~25%, 14 positions)

The Fund added four new event-driven positions. Three related to an ongoing theme in the credit markets we have identified while the fourth is a fairly straight forward risk arbitrage position.

Asset Sales to Deleverage Balance Sheet

One theme that we have focused on recently are situations where a corporation has had business performance issues, possibly been downgraded from investment grade to high yield and are now selling assets to deleverage the balance sheet. These situations can result in potential capital gains to bondholders from refinancing front-end bonds earlier than expected, debt reduction via a premium priority tender or simply the credit event leads to a tightening of credit spreads.

	Advanced Auto Parts {AAP} *Auto Parts Retailer*	Goodyear Tire {GT} *Tire Manufacturer*	Walgreens {WBA} *Drug Store Chain*
Business Issue	• Downgraded to junk by S&P in September 2023 • Chronically low margins versus peers • Botched integration of an acquired business	• Over-levered balance sheet • Sprawling sub-optimal portfolio of businesses • Bloated cost structure	• Downgraded to junk by Moody's December 2023 • Sub optimal cost structure
Thesis	Company will sell its Worldpac Wholesale parts business and Canadian Carquest operations and use proceeds to de-lever its balance sheet and return to Investment Grade	Company will sell its Chemical Business, Dunlop Tire Brands and Off-Road equipment tire business and use proceeds to reduce leverage by $1.5 billion from 4x to 2.5x	Company will sell all or a portion of its UK Boots pharmacy business and use proceeds to reduce debt via a priority cash tender

PGT Innovations Inc. – PGTI 4.375% 10/29 Senior Unsecured Notes

We accumulated the position after PGTI agreed to be acquired by Masonite {DOOR} for cash and stock. The bonds will get refinanced upon closing of the transaction. This is a plain vanilla risk arbitrage situation where we like the upside/downside as the Company is now subject to an all-cash “topping bid” by Miter Brands adding to the probability of a Change of Control

Liquidity Provision (~10%)

The Fund had ~10% of its NAV in cash and cash equivalents at month-end down from ~41% entering the month. We used the cash to fund a handful of new event-driven positions as well as added to our Special Situations/Stressed Credits.

Special Situations/Stressed Credit (~16%, 7 positions)

Citadel Income Fund {CTF-U}

Over the course of 2023 we accumulated a position in the closed-end investment fund {CTF-U}. CTF-U’s simple strategy was to invest in a portfolio of liquid blue-chip public securities. Our average purchase price was at a significant discount to CTF-U’s Net Asset Value (“NAV”). We fully-hedged the position by shorting the underlying portfolio thus locking in a fixed “discount to NAV”. We only entered the trade once we believed there was a high degree of certainty that the Fund would be effectively liquidated. Another large holder, Saba Capital, called a Special Meeting giving us more confidence in a terminal end date. The Manager of the Fund, Artemis, delayed calling the Special Meeting then finally set a date only to cancel it again as they were reluctant to liquidate the Fund and give investors their capital back at NAV. After much back and forth and a contentious negotiation, the Manager agreed to allow for a 70% redemption right at NAV. We tendered all our units and received roughly 90% of our capital back at NAV and then quickly liquidated the remaining units we held. The net result was a ~50 bps realized gain for the Fund on a relatively small position.

Brookfield Office Properties {BPO} / Brookfield Property Partners {BPY}

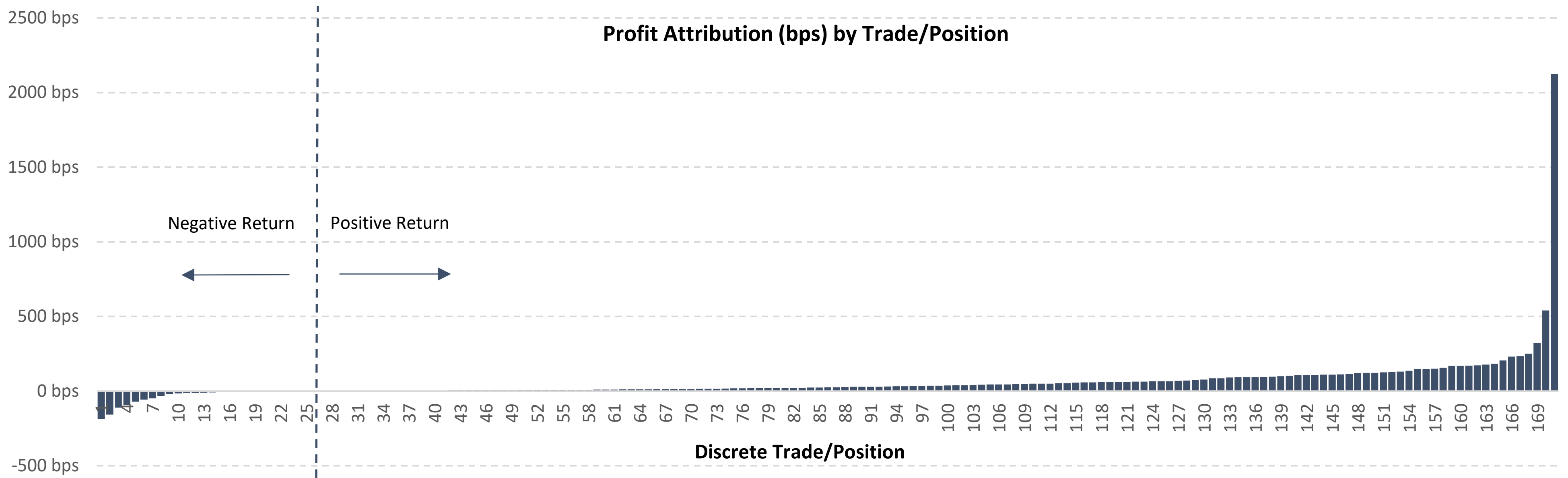
We entered the month net long BPO preferred shares, but we quickly reduced our net exposure to zero once BPY was downgraded to junk by S&P. This was a tactical trading decision. The net result of our decision to reduce the exposure was that we experienced no losses on the position during the month while many BPO preferreds ended up down over 20%. In total, we have made 34 bps of gross return trading our BPO position in 2023 but it has been frustrating given the amount of time spent on it. We now enter 2024 with limited net exposure to the name and have now taken the credit back into the workshop to tinker with it further. We expect to have some combination of long/short positioning in a subset of the over 30 different tradable securities within the 6-layer capital structure at some point in 2024.

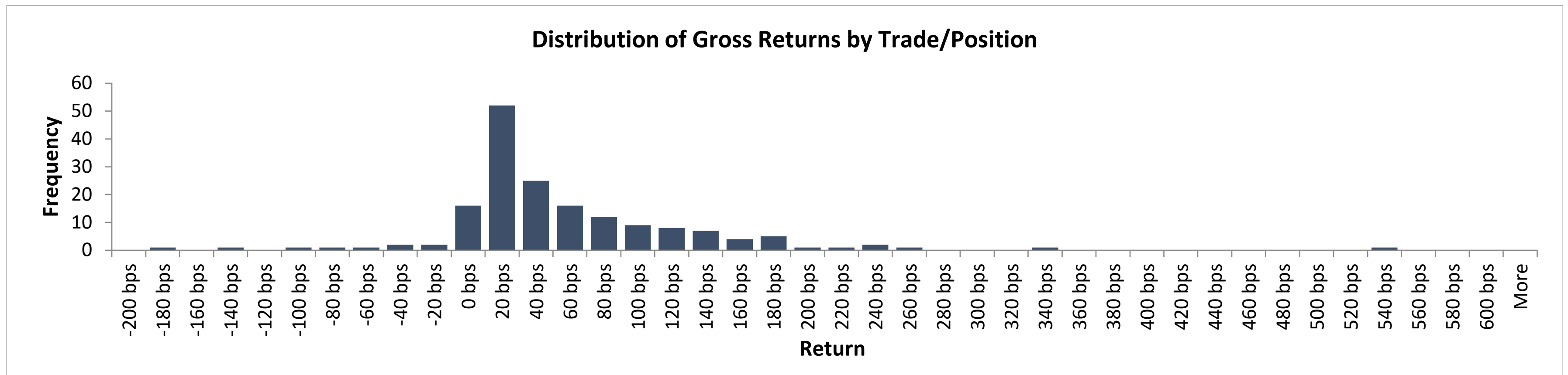
Risk Overlay

We unwound our HYG Option structure over the month which cost the Fund as the liquid credit indices rallied into year-end.

Summary

2023 was a strong year for the corporate credit asset class, and we are confident in our positioning leading into 2024. The static yield of the portfolio is still high at north of 8%, and we have several event-driven trades that we think will monetize into positive performance during Q1. Despite the near-term rally in credit assets, the potential for equity-like returns with less risk is still present.





Breakdown of Return Attribution by Sub-Strategy

Sub-Strategy	% of Gross Return
Core Carry	30.1%
Event-Driven	58.6%
Liquidity Provision	3.3%
Risk Overlay	-2.9%
Special Situations/Stressed Credit	10.9%
Total	**100.0%**

Breakdown of Return Attribution by Positioning

Long/Short	% of Gross Return
Long	84.5%
Short	15.5%
Total	**100.0%**

Letter X – November 2023

The NewGen Credit Strategies Fund, a corporate credit-focused liquid alternative strategy, ended November with a Class C NAV of $11.075 and has paid $0.24 in distributions year-to-date. This compares with $10.822 at the end of the prior month and the inception NAV of $10.00. Our Net Exposure at month-end was 60% and Gross Exposure was 113% versus 77%/93% at the end of October. This has been our lowest net exposure since the inception of the Fund.

Corporate credit assets have appreciated in value significantly during the month of November due to the narrative around a continuing decline in inflation and the flow through to lower underlying interest rates. However, the month has brought further evidence that the economy is slowing, and credit conditions continue to tighten. The consumer is weakening and is spending less on discretionary items while high interest rates are having an acute impact on businesses with high financial leverage and/or high working capital needs. Therefore, we are being cautious on adding incremental credit risk.

Core Corporate (49% of NAV, 21 positions)

Our Core Corporate portfolio, which is designed to provide a steady stream of interest and dividend income to the Fund while minimizing default risk, has now gone through several earnings seasons. We are happy with how all of our credits are performing. We provide a summary example as an Appendix of how we monitor all of the credits in the portfolio.

Abercrombie & Fitch Senior Secured Bonds {ANF 8.75% 07/25}

We think there is near zero credit risk in this bond, yet we earn 6.20% for a ~10 month holding period. This return might seem low, but the Company has been redeeming bonds at 102.188 recently and is in a negative net debt position with $649mm of cash plus a $360mm undrawn ABL against this lonely $250mm bond, the only debt in the capital structure. ANF can easily just pay off the bond with cash from the balance sheet at anytime. If they call the whole bond tomorrow, we earn a 25% IRR, if they call it after the next quarterly report, we earn a 11.5% IRR. Buying relatively safe shorter duration credit instruments with mid-single digit running yields that have potential upside optionality is a key tenant of the Fund's investment strategy.

Event-Driven (~16%, 10 positions)

AltaGas Fixed Rate Reset Preferred Shares {ALA.PR.E}

A larger contributor to the Fund's Q4 performance has been our long position in ALA.PR.E. We began accumulating the preferred shares under $23.00 with the thesis that the Company was going to call these "listed dividend preferreds" and replace them with pari-passu "institutional interest-bearing hybrids". Unlike bonds, corporations cannot use preferred share dividends to shield income from taxes but often must pay what is called the "Part 6.1" tax. The preferred shares were scheduled to reset at about ~7% whereas new hybrid debt would have to be issued at ~9%. We did the math with an understanding of ALA's tax situation and concluded they were better off calling the preferred share and issuing new bonds. They ended up issuing new bonds and redeemed our preferred share at $25.00.

With the ALA news, several preferred shares with near-term reset dates rallied under the speculation of windfall profits from being called out at $25.00 rather than reset. We initiated short positions in a few preferred shares we view as have a low probability of being called early based on our understanding of: a) the level an issuer can issue new bonds, and b) the issuer's complex tax situation. One surprising theme for some of our investments this year has been the ability to exploit a deeper understanding of the tax situation of the *issuer* of a security and the tax situation of the end *purchaser.*

GoEasy Callable Unsecured Bonds {GSYCN 5.375% 12/24}

GoEasy is a Canadian public company focused on consumer financing. We accumulated a position in the 2024 bonds between 97.5-98.5 on the thesis that GSY was going to refinance the bond in late-November before they became "current". The Company finally launched a successful refinancing, and we sold the bonds at ~100 for a mid-teens IRR.

Liquidity Provision (~41%)

The Fund had ~41% of its NAV in cash and cash equivalents at month-end. We are in the midst of drawing down some of the cash to fund a handful of new event-driven positions and scaling some of our existing higher conviction positions.

Special Situations/Stressed Credit (~14%, 8 positions)

Cineplex Subordinated Convertibles {CGXCN 5.75% 09/25}

The Fund has a new position in the convertibles of Cineplex. Our thesis is that CGX would sell a non-core asset(s) to pay down its 1st lien credit facility prior to the first "hard" call date on our bonds (09/2024). This would then free up secured borrowing capacity to refinance our convert with a new first lien bond. The converts we own are called "balanced". They pay a decent yield but still have some equity optionality left in them. We believe we purchased the position at, or near what is called the "bond floor". We are paying little for ~1-2 years of optionality left while earning around a 7.5% yield. The bonds can be converted to common stock at the holders' option at a price of $10.94 or the bonds can be "flushed" to common shares at the Company's option at $13.67. We have a positive fundamental view on the recovery of CGX after it bloated its balance sheet to stay alive during Covid. Free cash flow is essentially back to where it was pre-covid, a strong management team is committed to deleveraging to ultimately reinstate the dividend. We think there could be material capital appreciation if we are patient, but we have little company on our thesis as the market has largely ignored the substantial positive actions CGX has taken in the last 6 months and discounted possible future actions to reduce its financial risk. If the current valuation persists, it is also possible that an en-bloc buyer emerges at some point in the future.

Hawaiian Airlines {HA 5.75% 2026 Loyalty Bonds}

After month-end, Alaska Air agreed to buy Hawaiian Air for $18 cash, a +300% premium. Our bonds traded up ~14 points or ~17% and we sold the entire position before 8am in the morning, the first trade of the day on the bonds. We did not envision Hawaiian getting taken over, as our thesis was that the bonds were just mispriced and well covered by the Company's assets. Turns out Alaska Air did the same math we did and saw tremendous residual common equity value. We are now evaluating a long bond short stock position as we think the merger faces strong political and regulatory headwinds with an 18-month close … for now we quietly watch the controversial deal.

Risk Overlay (-19%)

We have on a zero cost Put Spread Collar on the High Yield ETF HYG. We are short 75 Calls, Long 72 Puts and Short 69 Puts. We also reinstated a short position in the units of a Canadian REIT we are convinced needs to cut its distribution.

Summary

There are data points abound suggesting corporations are beginning to sober up to the reality of higher financing costs. Many corporations are now enacting creditor friendly actions such as:

- Selling assets to pay down expensive floating rate debt (OTEX, NWH-U, AX-U, CGX)
- Reducing distributions to common equity holders (REITs)
- Refinancing short-term debt with longer term debt (GSYCN, +Many Others)
- Reduction in share buybacks and limiting growth via acquisition (ACQCN)
- Mergers and Acquisitions (HA)

These actions should benefit bondholders and create event-driven opportunities for the Fund in 2024.

NEWGEN
ASSET MANAGEMENT

Titan International (TWI) — Infrastructure Construction

Capital Structure

Tranche	Rank	Rating(s)	Face (mm)	Coupon	Maturity	Fixed Charges	LTM Leverage	LTV
European Credit Facility	1st Lien		$ 34	6.80%		$ 2		
Revolving Credit Facility	1st Lien		$ -	L+125 bps	28-Oct-26	$ -		
Other	1st Lien		$ 8	6.80%		$ 1		
Senior Notes	1st Lien	B-/B2	$ 400	7.00%	30-Apr-28	$ 28		
Total Secured Debt			**$ 442**			**$ 31**	**2.0 x**	**39.4%**
Total Unsecured Debt			**$ -**			**$ -**	**2.0 x**	**39.4%**
Total Net Debt			**$ 282**			**$ 31**	**1.3 x**	**25.2%**
Market Capitalization			$ 835				3.8 x	
Enterprise Value			**$ 1,121**				**5.2 x**	**100.0%**

Liquidity

Revolver Commit	2026-10-01	$ 125
Utilized		-
Availability		**125**
Letter of Credit	-	7
Cash		160
Total Liquidity		**277**

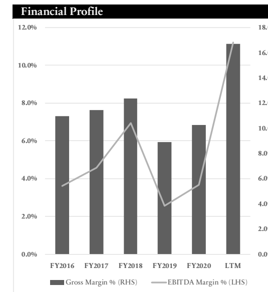
Credit Ratings

	Secured	Issuer	Outlook
S&P	B-	B-	Stable
Moody's	B2	B2	Stable
Fitch			
DBRS			

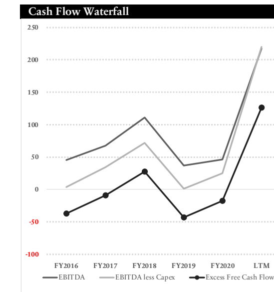
Relative Value

Bond Ticker :	AXL	GT	TEX	TWI
Coupon	6.875%	5.000%	5.000%	7.000%
Maturity	7/2028	7/2029	5/2029	4/2028
Ranking	Sr Uns	Sr Uns	Sr Uns	1st li
Par Notional	400 mm	5 mm	600 mm	399 mm
Tranche Ratings	B	B+	B+	B
Bond Price	93.02	91.85	92.92	97.647
YTW	8.76%	6.77%	6.57%	7.64%
Workout Date	7/2028	7/2029	5/2029	4/2028
STW	453 bps	256 bps	236 bps	340 bps
OAS	443 bps	255 bps	222 bps	303 bps
LTV	71%	66%	11%	26%
Net Leverage (LTM)	3.4 x	3.5 x	1.0 x	1.3 x
Spread per Turn Lev.	133 bps	73 bps	234 bps	262 bps

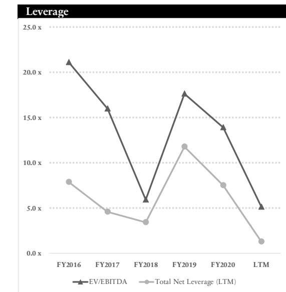
Financial Profile



Cash Flow Waterfall



Leverage



Financial Profile *($ mm USD)*

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	Q3-2021	Q4-2021	Q1-2022	Q2-2022	Q3-2022	Q4-2022	Q1-2023	Q2-2023	Q3-2023	LTM
Revenue	$ 1,265	$ 1,469	$ 1,602	$ 1,449	$ 1,259	$ 1,780	$ 2,169		$ 450	$ 488	$ 556	$ 573	$ 531	$ 510	$ 549	$ 481	$ 402	$ 1,941
Cost of Goods Sold	-1,127	-1,301	-1,404	-1,320	-1,130	-1,543	-1,809		-390	-425	-469	-463	-443	-433	-453	-395	-336	-1,617
SG&A	-155	-161	-146	-148	-140	-142	-155		-35	-36	-39	-37	-34	-45	-40	-40	-39	-165
Non-Cash Adjustments & One-Time Items	62	60	59	56	57	51	58		12	13	12	12	11	23	11	13	12	58
EBITDA	46	67	111	37	46	147	264		38	40	59	85	65	54	66	58	38	218
Company Adjusted EBITDA	*47*	*73*	*119*	*38*	*54*	*135*	*253*		*35*	*36*	*57*	*82*	*61*	*53*		*59*	*41*	*153*
Maintenance Capex	-42	-33	-39	-36	-22	-39	-47		-10	-15	-8	-12	-13	-14	-12	-16	-14	-51
EBITDA less Capex	4	35	72	1	25	108	217		28	25	52	73	52	40	55	43	25	220
Cash Taxes Paid	-6	-5	-12	-10	-12	-16	-24		-4	-6	-2	-7	-19	4	-4	-9	-5	-37
After-Tax Unlevered FCF	-2	30	60	-10	12	92	193		24	20	50	67	33	44	51	34	20	161
Cash Interest Paid	-34	-38	-31	-33	-29	-35	-32		-9	-10	-1	-15	-1	-15	-1	-15	-0	-35
Free Cash Flow ("FCF")	-36	-8	29	-42	-17	57	161		16	10	49	51	8	44	50	19	19	126
Dividends, Share Repurchases & Other Distributions	-1	-1	-1	-1	-1	0	-25		0	0	0	0	-25	0	-1	-5	-13	0
																		0
Excess Free Cash Flow	-37	-9	28	-43	-18	57	136		16	10	49	51	-17	44	48	14	7	126
Gross Margin % (RHS)	11.0%	11.5%	12.4%	8.9%	10.3%	13.3%	16.6%		13.4%	12.8%	15.6%	19.1%	16.5%	15.0%	17.4%	17.9%	16.4%	16.7%
EBITDA Margin % (LHS)	3.6%	4.6%	6.9%	2.6%	3.7%	8.3%	12.2%		8.4%	8.2%	10.7%	14.9%	12.2%	10.6%	12.1%	12.1%	9.6%	11.2%
Total Funded Debt (Gross)	506	451	461	505	465	485	446		482	485	522	485	447	446	437	434	431	446
Cash	148	144	82	67	117	98	160		95	98	98	117	117	160	164	194	212	160
Market Capitalization (millions)	606	769	279	218	298	684	963		570	684	919	946	762	963	658	725	842	835
Enterprise Value (000s)	964	1,076	659	656	645	1,071	1,249		957	1,071	1,343	1,314	1,092	1,249	931	965	1,061	1,121
Total Net Leverage (LTM)	7.8 x	4.6 x	3.4 x	11.8 x	7.5 x	2.6 x	1.1 x					1.7 x	1.3 x	1.1 x	1.0 x	1.0 x	1.0 x	1.3 x
Fixed Charge Coverage (LTM)	1.3 x	1.8 x	3.6 x	1.1 x	1.6 x	4.3 x	8.3 x					6.5 x	9.4 x	8.3 x	8.6 x	7.9 x	7.1 x	6.2 x
Debt-to-TEV	37%	29%	58%	67%	54%	36%	23%		40%	36%	32%	28%	30%	23%	29%	25%	21%	26%
Equity-to-TEV	63%	71%	42%	33%	46%	64%	77%		60%	64%	68%	72%	70%	77%	71%	75%	79%	74%
(PPE + Net Working Capital)-to-Debt	1.6 x	1.8 x	1.7 x	1.4 x	1.4 x	1.4 x	1.7 x		1.4 x	1.4 x	1.4 x	1.5 x	1.7 x	1.7 x	1.8 x	1.9 x	1.9 x	1.5 x
EV/EBITDA	21.1 x	16.0 x	5.9 x	17.6 x	13.9 x	7.3 x	4.7 x					5.9 x	4.4 x	4.7 x	3.4 x	4.0 x	4.9 x	5.2 x

Letter IX – October 2023

The NewGen Credit Strategies Fund, a corporate credit-focused liquid alternative strategy, ended October with a Class C NAV of $10.822 and has paid $0.20 in distributions year-to-date. This compares with $11.014 at the end of the prior month and the inception NAV of $10.00. Our net exposure at month-end was 77% and gross exposure was 93% versus 85%/100% at the end of September. A sampling of monthly returns across the credit spectrum is shown below:

Canadian Governments	Investment Grade (CAD)	US High Yield BB	US High Yield B	US High Yield CCC	Canadian Preferreds	Russell 3000 Equity Index
0.42%	0.41%	(0.59%)	(1.14%)	(3.41%)	(3.36%)	(2.65%)

Two themes are currently permeating through the corporate credit markets, *decompression* and *dispersion. Decompression* is when lower quality credit spreads widen relative to higher quality credit spreads. The credit spread delta between CCC and BB paper widened from 581 bps to 650 bps during the month. *Dispersion* is when the range of credit spreads within the market is expanding reflecting an increased divergence in credit fundamentals by issuer. Both themes should bode well for the Fund's opportunity set as a concentrated actively managed bottom-up long/short credit manager.

Core Corporate (47% of NAV, 20 positions)

Savers Value Village {EVRGRN 9.75% 04/2028} Senior Secured Bonds

Our only new position in our core portfolio is the secured bonds issued by Savers {SVV}. SVV is the largest for-profit thrift store operator in North America, with a substantial presence in Canada under the "Value Village" brand. SVV recently went public, but has been around since 1954. The business has been performing well and the model is generally resistant to economic contractions. The bonds yield over 9% and we think the Company will redeem 10% of the bond issue per annum at 103 (above the current trading price) as they are in deleveraging mode and the coupon on the bond is high.

Event-Driven (~17%, 13 positions)

Northwest Healthcare Properties REIT 2023 Subordinated Convertible

We worked with NWH-U to extend the upcoming convertible 2023 debenture. The existing bond, if approved by bondholders at a special meeting, will be extended by 15 months and re-coupon'd to 10%. We exited the position near Par for a profit after the transaction was publicly announced and will collect a 2% fee in December should the amendment pass.

Algonquin Power Fixed-to-Floating Subordinated Notes

We had the thesis that AQN would call this bond shortly after it reset because the fixed rate coupon was set to "reset" at LIBOR + 368 bps (9.34%). Even though AQN is in a strategic review with a weak balance sheet, this floating rate debt is very expensive capital, and the equity market has been punishing AQN for having too much higher cost floating rate debt.

Vista Outdoor {VSTO 4.5% 03/2029} Senior Unsecured Bonds

VSTO agreed to sell its ammunition business to a European company that is also in the ammo business. We accumulated a position in the bonds in the mid 90s. Should the transaction close as scheduled, we think the Company will be required to redeem the bonds at 102.25 to consummate the transaction. If for whatever reason the transaction fails, the Company is likely to proceed with spinning off its ammunition business, rather than selling it for cash and is committed to paying down debt while either corporate action plays out. The business is fundamentally strong, and we think the downside on a break in one-year is mid-to-high 80s. Adding to the intrigue, a second European company that owns the Colt firearm business has been accumulating common stock in VSTO suggesting a possible 2nd suitor. The upside/downside outcomes might be symmetric, but the probabilities are not.

Liquidity Provision (~23%) - The Fund had ~23% of its NAV in cash and cash equivalents at month-end.

Special Situations/Stressed Credit (~13%, 8 positions)

Brookfield Office Properties {BPY/BPO}

The preferreds we own traded down from 36 cents on the dollar to 28 cents on the last day of the month. We added to our position as there was a month-end forced seller who needed liquidity. Brookfield's private real estate arm is a complicated beast. Based on how BPY finances its properties and their corporate structure, we think they have long enough runway to ride out a commercial real estate recession without suspending the dividends on preferred shares. Based on the 18% running yield at our purchase price of 28 cents, our entire original investment could be paid back as dividends in only 5.5 years.

AerCap Floating Auction Rate Preferred ($50mm Legacy International Lease Finance Corporation security from 1992)

We were redeemed out of our position at Par during the month. This position had been one of the best trades so far in the Fund. We accumulated the position in the mid 90s and the preferreds carry at approximately LIBOR x 2.75 or 14%-15% running yield for the duration of our investment. The original face of the prospectus is shown below.

Hawaiian Airlines / Hawaiian Brand Intellectual Property / Hawaiian Miles Loyalty {HA 5.75% 01/2026} Secured Bonds

After completing a detailed credit analysis on HA, we concluded the bonds were attractively priced in the mid 80s and accumulated a small position. The Company has substantial liquidity consisting of +$1.1 billion of cash and a portfolio of unencumbered aircraft valued at $580mm including 14 highly valued A321 neo aircraft. At the bond's current market value, the hard assets cover the bonds 2x but are also formally backed by cash flows from HA's loyalty program which is designed to be bankruptcy remote. The bonds are the only substantial debt in the Company's capital structure. The bonds are trading at a depressed price because of a series of issues beyond HA's control: a) Maui Wildfires, b) Slow return of Japanese travellers post-Covid, c) grounded airplanes due to an issue with Pratt & Whitney engines, d) overall negative sentiment on airlines. Our thesis is that HA is a very well-run airline with a loyal affluent customer base that has substantial liquidity to see a recovery through and ultimately refinance the subject bonds. Tactically, we decided to cut our risk in half and crystallized a small loss on the position while we wait for lower prices to reaccumulate. At current prices, the IRR to January 2025 refinancing is 38%.

Risk Overlay – We were quiet during the month and still hold ~1-year out of the money put options on Banks/Financials. Shortly after month-end, HYG has spiked substantially so we have now layered in a January 2024 72/69 Put Spread.

Summary

While the Fund's performance was negative during the month it performed inline with the liquid indices that proxy the market risk of the underlying portfolio. Even after crystalizing some losses during the quarter, which will help offset some embedded capital gains accumulated within the Fund year-to-date, the portfolio has so far gained back all of last month's losses in the first five days of November. The portfolio ex-cash has a yield approaching ~10% with plenty of liquidity to opportunistically add risk going forward.

PROSPECTUS

INTERNATIONAL LEASE FINANCE CORPORATION

500 SHARES OF MARKET AUCTION PREFERRED STOCK, SERIES A
500 SHARES OF MARKET AUCTION PREFERRED STOCK, SERIES B
Liquidation Preference $100,000 Per Share

Dividends on the Market Auction Preferred Stock (the "MAPS") are cumulative from the Date of Original Issue and are payable when, as and if declared by the Board of Directors of International Lease Finance Corporation. The Initial Dividend Payment Date and Initial Dividend Rate will be February 2, 1993 and 3⅝% per annum for the Series A MAPS, and February 9, 1993 and 3⅝% per annum for the Series B MAPS. Thereafter, dividends will be payable at the Applicable Rate in effect from time to time when, as and if declared on each subsequent Dividend Payment Date which is, subject to certain exceptions, every seventh Tuesday for the Standard Dividend Period of 49 days, subject to certain exceptions, commencing on the prior Dividend Payment Date. Under certain circumstances, the Company may specify that a Dividend Period be a Short Dividend Period (50 to 364 days) or a Long Dividend Period (one year or longer).

After the Initial Dividend Period, the Applicable Rate for each Dividend Period will be determined on the basis of Orders placed in an Auction conducted on the Business Day preceding the commencement of a Dividend Period, subject to certain exceptions. In each Auction each Existing Holder will indicate its desire (i) to continue to hold shares of a Series without regard to the Applicable Rate that results from such Auction, (ii) to continue to hold shares of a Series if the Applicable Rate that results from such Auction is equal to or greater than the rate bid by such Existing Holder and/or (iii) to sell shares of a Series without regard to the Applicable Rate that results from such Auction. Potential Holders may submit bids in which they will offer to purchase shares of a Series if the Applicable Rate that results from such Auction is equal to or greater than the rate bid by such Potential Holder. The Applicable Rate that results from an Auction for any Dividend Period will not be greater than a rate per annum (the "Maximum Applicable Rate"), determined by reference to the credit ratings of the MAPS, that is a percentage of the Applicable "AA" Composite Commercial Paper Rate, in the case of a Standard Dividend Period or a Short Dividend Period of 183 days or less, or a percentage of the Applicable Treasury Bill Rate, in the case of a Short Dividend Period of 184 days to 364 days or the Applicable Treasury Note Rate in the case of a Long Dividend Period. The Maximum Applicable Rate may range from 150% to 275% of such rates, and on the date of delivery of MAPS is anticipated to be 200% thereof. The percentages used to calculate the Maximum Applicable Rates within rating categories are subject to increase by the Company. If the Company fails to make timely payments to the Auction Agent of the full amount of any dividend on the MAPS or the redemption price of MAPS called for redemption, the Applicable Rate will not be based on the results of an Auction but instead will be the Default Rate, unless such failure to pay is cured within three Business Days.

Shares of MAPS may be transferred only in whole shares and pursuant to a Bid or a Sell Order placed in an Auction, to or through a Broker-Dealer or to a person that has delivered a signed Master Purchaser's Letter to a Broker-Dealer. Prospective purchasers should carefully review the Auction Procedures described in this Prospectus (including its Appendices) and should note that (i) a Bid or Sell Order constitutes a commitment to purchase or sell shares of MAPS based upon the results of an Auction, (ii) Auction participation will be through telephonic communications, (iii) settlement for purchases and sales will be on the Business Day following an Auction and (iv) ownership of MAPS will be maintained in book-entry form by or through the Securities Depositary.

Each Series of MAPS is redeemable on any Dividend Payment Date for such Series, in whole or in part, at the option of the Company, at $100,000 per share, plus accrued and unpaid dividends.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

PRICE $100,000 PER SHARE

	Price to Public(1)	*Underwriting Discounts and Commissions(2)*	*Proceeds to Company (3)*
Per Share	*$100,000*	*$1,375*	*$98,625*
Total	*$100,000,000*	*$1,375,000*	*$98,625,000*

(1) Plus accrued dividends, if any, from the Date of Original Issue.

(2) The Company has agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended.

(3) Before deduction of estimated expenses for the account of the Company of $270,000, of which $125,000 will be paid by the Underwriters.

Each Share of MAPS is offered, subject to prior sale, when, as and if accepted by the Underwriters named herein, and subject to approval of certain legal matters by Milbank, Tweed, Hadley & McCloy, counsel for the Underwriters. It is expected that delivery of the MAPS will be made on or about December 15, 1992, through the facilities of The Depository Trust Company, against payment therefor in immediately available funds.

MORGAN STANLEY & CO.
Incorporated

LEHMAN BROTHERS

December 8, 1992

Letter VIII – September 2023

The NewGen Credit Strategies Fund, a corporate credit-focused liquid alternative strategy, ended September with a Class C NAV of $11.014 and has paid $0.16 in distributions year-to-date. This compares with $11.031 at the end of the prior month and the inception NAV of $10.00. Our Net Exposure at month-end was 85% and Gross Exposure was 100% versus 82%/106% at the end of August.

	Price	Yield-to-Worst	Cash Yield	Credit Spread	Rate Duration
Portfolio	92.3	9.5%	7.4%	409 bps	2.0 years
USD HY Index	88.1	8.9%	6.8%	394 bps	3.5 years
CAD Aggregate Index	88.8	4.9%	3.4%	64 bps	7.0 years

Interest Rate Exposure

The major theme in the fixed income market in September was the sharp decline in the value of government bonds, which forms the basis for pricing most risk assets. The Canadian Corporate Bond Index was down ~3% last month and is now negative on the year, while generic high yield bonds were down about 2% with losses spilling into October. Many corporate credit investors piled into longer duration credit assets this year, with the thesis that yields had peaked, and spent much of their "dry powder" during the first 9 months of the year. As a result, the bid for longer duration credit assets is fragile.

The Fund does not actively try to "hedge" its interest rate exposure by shorting government bonds. While we are aware of what is going on in the government bond market, we have no advantage in forecasting nor edge in trading interest rates. We therefore manage our interest rate exposure via old-fashioned security selection. Our response to managing interest rate volatility, in the context of a corporate credit portfolio, has been as follows:

1. Larger weighting in cash/cash-like instruments which in some cases compete with yields on longer corporates
2. Allocation to floating rate instruments such as perpetual floating rate preferreds linked to LIBOR/CDOR/PRIME
3. Avoidance of longer duration credit assets like 7–10-year investment grade bonds which we think are over-valued
4. Preference for higher coupon, lower dollar price, shorter maturity securities
5. Focus on event-driven opportunities which usually have a short terminal value of between 30-360 days.

As a result of our security selection, not macro interest rate forecasting, we avoided losses in the Fund for the month of September and are reasonably positioned for further rate volatility going forward. The opportunity cost of how we manage interest rate risk is that we are likely to forgo gains should there be a massive rally in the government bond market from here forward. In addition, it is possible that higher rates start to create a negative feedback loop which widens credit spreads. When rates rise, it makes refinancing debt more expensive which grinds into cash flow available to service a Company's fixed charges.

Core Corporate (45% of NAV, 21 positions)

We sold a majority of our 'AAA'-rated asset-backed securities at a modest gain to fund the purchase of more aggressive credit risk positions elsewhere in the portfolio. The composition of our Core Corporate Carry portfolio is largely unchanged month-over-month, but has taken modest mark-to-market losses associated with the broader sell-off in risk assets.

Event-Driven (~26%, 16 positions)

Northwest Healthcare Properties REIT

The largest contributor to our positive performance in September was a capital structure relative value trade in *Northwest Healthcare Properties REIT*. The Company cut its dividend, as we expected, which was a negative outcome for the units but a positive outcome for bondholders. We were positioned for the event.

Videotron versus Cogeco

We have a long position in longer-duration Videotron {QBRCN} bonds against a short position in longer Cogeco bonds {CCACN}. Fundamentally, we think QBRCN is a superior credit to CCACN. However, the legacy at QBRCN of acquisitions, a holdco/opco structure and regional concentration in Quebec cable has kept rating agencies from upgrading the Company to investment grade. Our thesis is that QBRCN finally gets upgraded in 2024 and the bonds rally as they enter the IG index. Meanwhile. CCACN's bonds are one of the worst performing corporate bonds in Canada in 2023 having been issued with a coupon of 5.299% they are now trading below 93. There is a clear mispricing of credit risk we intend to exploit.

Bond	Price	Yield	Credit Spread	Duration	Rating
QBRCN 3.125% 01/31	78	7.04%	293 bps	6.2 yrs.	Ba2/BB+(pos)
CCACN 2.991% 09/31	81	6.03%	195 bps	6.8 yrs.	BBB-
Difference	**(3 pts)**	**1.01%**	**98 bps**	**-0.6 yrs.**	**1.5 notches**

Our interest rate risk is matched and the "credit beta" is largely hedged given the correlation between the two credits. If we are correct and the credit spreads converge, we think we can make ~5-6 points with limited capital at risk.

Liquidity Provision (~13%) - The Fund had ~13% of its NAV in cash and cash equivalents at month-end.

Special Situations/Stressed Credit (~15%, 8 positions)

Carroll's Restaurant Group Senior Unsecured Bonds {TAST 5.875% 07/29, yield of ~9.50%}

After following TAST for years, we finally decided to accumulate a full position in the Company's bonds after becoming convinced that the turnaround of Burger King in the US had sustainable momentum. We are kicking ourselves we didn't buy the bonds earlier in the year at lower prices, but we didn't have the conviction at the time. TAST is the largest Burger King franchisee in the US. As part of our research, we met with the Chairman of Restaurant Brands International {RBI} which is the "franchisor" of Burger King. RBI in late 2022 decided to stem the decline in the BK brand by launching a *Reclaim the Flame* campaign. Specifically, they are helping BK franchisees by providing funds for advertising and restaurant refurbishment. The Company is capable of de-levering through internal FCF and has a long liquidity runway to allow time for the turnaround of the BK brand and revamp of the restaurant network in the US.

Risk Overlay

We purchased long dated out-of-the money put options on several indices including *Equal Weight Canadian Banks*, *TSX 60* and *US Financials*. Longer dated out-of-the money volatility is cheaper on a relative basis to shorter-dated near-to-the money protection. These positions are designed to hedge a handful of preferred share positions we currently hold.

Summary

The volatility in the government bond market is concerning and is quickly becoming the dominant theme in the pricing of risk assets globally. Our game plan, in response to this volatility, is to stay the course with our current portfolio construction. We have no intention of extending duration to reach for return, as current opportunities in our area of focus are plentiful. The yield-to-worst on our portfolio is approaching 10% with a duration ~2 years. The broader sell off in fixed income in 2023-Q4 could provide a strong setup for outsized returns in 2024.

Letter VII – August 2023

The NewGen Credit Strategies Fund, a corporate credit-focused liquid alternative strategy, ended August with a Class C NAV of $11.03 and has paid $0.12 in distributions year-to-date. This compares with $11.01 at the end of the prior month and the inception NAV of $10.00. A rough estimate of the breakdown of the Funds YTD gains: ~37% Interest Income, 17% Dividend Income and 46% Capital Gains, the majority of which have been realized. Our Gross and Net Exposures at August month-end were 106%/82% versus 102%/82% at the end of July.

	Price	Yield-to-Worst	Cash Yield	Credit Spread	Rate Duration
Portfolio	92.7	8.09%	6.85%	334 bps	2.05 yrs.
USD HY Index	89.2	8.51%	6.65%	372 bps	3.47 yrs.

Positive Performance	Performance Detractors
IamGold IMGCN 5.75% 10/28 Unsecureds (short)	Brookfield Office Preferred Shares
Calfrac CFWCN 10.875% 03/26 2nd Liens	Cars.com CARS 6.375% 11/28 Unsecureds
Glatfelter GLT 4.75% 11/29 Unsecureds	Canadian Floating Rate Preferreds
'AAA' Asset-Backed Securities	

Core Corporate (50% of NAV, 24 positions)

We continued the process we started in July of "high-grading" our Core Corporate Bond portfolio and now have ~20% of the sub-strategy in AAA asset-backed securities and ~37% invested in investment grade obligors. We exited the following positions almost exclusively for valuation reasons, however, concerns about a weakening consumer entered our thinking:

Company	Ticker	Industry
Dave & Busters	PLAY 7.625% 11/25 Secureds	Casual Restaurants
Winnebago Industries	WGO 6.25% 07/28 Secureds	Recreational Vehicle Manufacturer
Concrete Pumping Holdings	BBCP 6% 02/26 Secureds	Concrete Pumping Services
Vista Outdoor	VSTO 4.50% 03/29 Unsecureds	Branded Sporting Goods and Outdoor Products
Great Canadian Gaming	GCCN 4.875% 11/26 Secureds	Casino Gaming

Our strategy of overweighting 'B'-rated shorter duration secured bonds early in the year has served us well year-to-date and we monetized gains on most of the positions over the last two months. We view the above-mentioned credits as having simple but strong business models, generally well-managed, modestly levered and they all generate decent free cash flow relative to their debt load. We will gladly buy back all the positions at the right price at some point in the future.

Event-Driven (~26%, 11 positions)

Corporate activity picked up during the month and a bunch of new opportunities has led to us having to ration the portfolio and remove lower conviction and/or lower IRR positions in favour of better ideas. Two examples of names we have added:

Algonquin Power

We have been studying Algonquin Power very closely for the last 12 months. AQN has a very complex debt structure and has been forced to put its renewables business up for sale and may ultimately look to monetize its large stake in Atlantica {AY} as well. The net result is the Company is shrinking and needs to bring its debt structure inline with its remaining

assets under the constraint of a mandate from the Board of Directors to maintain an IG rating. We think we have found the cheapest instrument in the entire capital structure that will benefit from the corporate actions ahead.

Michael Kors / Capri Holdings

We accumulated a position in Capri Holdings {KORS 4% 11/24} bonds after the Company agreed to a friendly all-cash take-over by Tapestry {TPR}. We think the merger has strong strategic and financial merit. The pay-off profile of these bonds is asymmetric with little downside should the merger not occur or be delayed. However, if the deal closes quickly our understanding of the financing arrangements is that TPR will need to redeem these bonds early which could result in a +8% IRR. The core risk to the deal not closing is the perceived overlap between the two woman's handbag businesses. The combined entity will have a large market share, and based on how you define the "handbag market," regulatory authorities could take the view that there is too much concentration given that the combined entity controls brands such as Coach, Jimmy Choo, Michael Kors, Kate Spade and Versace.

Liquidity Provision (~16%)

The Fund had ~16% of its NAV in cash and cash equivalents at month-end.

Special Situations/Stressed Credit (~13%, 6 positions)

We monetized our position in the bonds of Glatfelter {GLT 4.75% 11/29}. GLT makes a variety of products such as feminine hygiene solutions, tea bags, face masks and sanitary wipes often using what is called "non-woven" technology https://en.wikipedia.org/wiki/Nonwoven_fabric. For a variety of reasons, the Company entered 2023 with a stressed balance sheet. We bought the bonds at ~64 3/8 cents with the view that the capital structure was stable and new management would execute its new turnaround strategy to improve margins and de-lever the Company. After reporting its Q2 in early August, the Company lowered its fiscal year guidance, so we decided to exit the position but sold the bonds at 69.5 for a +9% gain when you include the coupons. We will revisit if the bonds drop back into the low 60s which we view as closer to fair value.

We accumulated a position in Calfrac {CFWCN 10.875% 02/26} senior secured 2nd lien bonds at ~90 cents in July and now expect them to be refinanced anytime between September 2023 and March 2024. The bonds are currently only callable at 102.72 but the call price steps down to 100 in early 2024. If not called, we will continue to clip the ~11% coupon on a performing credit waiting to get refinanced out.

We have one closed-end fund arbitrage position that added to our monthly gains. We are actively engaged with Management of the Fund to improve some of the structural features and help close the gap between the market price to the Fund's Net Asset Value. We hope to have similar success here as we had trading Brookfield Select Opportunities Fund {BSO-U} and Canso Credit Income Fund {PBY-U} earlier in the year.

Risk Overlay

We were quiet in our Risk Overlay strategy during the month.

Summary

We have made some significant changes to the portfolio over the last two months. We have shortened the credit duration of the portfolio, improved its credit quality, and monetized gains in fully valued securities. We have shifted our focus to shorter-term opportunistic event-driven opportunities and are waiting for better entry points in the credits we have surveillance on.

Letter VI – July 2023

The NewGen Credit Strategies Fund, a corporate credit-focused liquid alternative strategy, ended July with a Class C NAV of $11.81 before YTD distributions or $11.01 net of YTD distributions versus the inception NAV of $10.00. A rough estimate of the breakdown of the Funds YTD gains: ~33% Interest Income, 15% Dividend Income and 52% Capital Gains. Dividends and capital gains provide far superior after-tax returns versus a pure interest income "carry" strategy. Our Gross/Net Exposure at month-end was 102%/82% versus 88%/78% last month as we increased our short positions.

	Price	Yield-to-Worst	Cash Yield	Credit Spread	Duration
Overall Fund**	93.7	7.56%	6.71%	295 bps	2.2 yrs.
Core Corporate Carry	91.4	7.89%	7.02%	349 bps	3.5 yrs.
High Yield Index	89.5	8.41%	6.61%	372 bps	3.5 yrs.

***Includes our relatively large cash weighting as well as event-driven positions bought for short-term capital gains not yield.*

Core Corporate (~47% of NAV, 22 positions)

We sold our positions in Great Canadian Gaming {GCCN 4.875% 2026} and Open Text {OTEXCN 3.875% 2029} as they became too rich relative to the credit risk to justify holding. At yields between 6.50%-6.75% for a high yield bond we would rather own higher grade credit assets as this point in the cycle. We booked a modest gain on those two positions. We then rotated the capital into very cheap short duration AAA asset-backed securities trading at a discount to par. This is what we call a "yield give up" where we reduce yield but improve the credit quality and liquidity of the portfolio.

One bond added that we think is mispriced is Chip Mortgage Trust {HEQCN 1.503% 11/24}. These bonds are AAA-rated asset-backed securities tied to low LTV Reverse Mortgages. The business is unique and not well understood. We bought the bonds at 93.91 to yield ~8.05% to the July 2024 call date. Our due diligence revealed that for regulatory purposes these bonds need to be retired in advance of their maturity date meaning a return of principal would occur sooner than the market was pricing thus boosting the IRR of the position. The chart below highlights the stark difference in after-tax returns from bonds trading below par to those trading at par or above which is part of the reason we like them:

	HEQCN 1.503% 11/24 Bond	**Typical Par Bond**
Price	93.91	100
Yield	8.05%	8.05%
Interest Income / Capital Gain	1.503% / $6.09	8.05% / $0.00
Taxes Paid**	$2.27	$4.15
After-Tax Return on Capital	5.67%	4.15%

***Tax is calculated based on Interest Income at 50% and Capital Gains at 25%*

The main point of this table is that we would need to buy a 1-year par bond at around a 11.3% yield in order to achieve an after-tax return equivalent to the after-tax return of the bonds we bought at a yield of 8.05%. Put differently, the after-tax return is around 1.50% better for the discount bond versus the par bond.

We now expect to have close to 10% of the Fund in short duration, low dollar price AAA-rated asset-backed securities. While not fancy, we think these AAA securities are some of the best risk-adjusted positions in the portfolio. Additionally, with much of the return set to be generated from capital gains, these bonds have an after-tax return that is equal to or better than par high yield bonds. Should the overall credit markets back up to more desirable levels we will sell these securities to fund new purchases of higher yielding and possibly longer duration credit assets.

Event-Driven (~21%, 14 positions)

We monetized a significant position in the credit-focused closed end fund *Canso Credit Income Fund*. After a careful study of the Fund's underlying portfolio, we accumulated a position in Q2 at a discount to the Fund's NAV. We used the Fund's annual redemption privilege to redeem our position at NAV which generated a capital gain for the fund. In addition, we took advantage of propensity of the Fund Manager to buy a portion of the redeemed units during what is called the "Recirculation Period". After redeeming our Units mid-month for cash, we then accumulated a new long position and then sold them into the Manager's bid at a premium to the market value prior to the Recirculation Date.

We traded AT&T CAD Long "Maple" Bonds during the quarter. We may have bought the "low tick" during one of the really dour days for AT&T following the WSJ article about contaminated lead cables. We sold them for a gain several days later.

Liquidity Provision (~19%)

The Fund had ~19% of its NAV in cash and cash equivalents at month-end.

Special Situations/Stressed Credit (~13%, 9 positions)

We added one new credit to the portfolio, a busted convertible from a technology company at a yield of 14.25%. The Company is free cash flow positive with an LTV of ~55% but has a levered balance sheet and shorter maturity portfolio. At present, we feel we have the maximum weighting in our Special Situations/Stressed bucket. Net of shorts, this portion of the portfolio yields mid-teens and is highly idiosyncratic with none of the positions in any major indices.

Risk Overlay

In lieu of rolling our various options structures for July, we elected to short a handful of "high beta" high yield bonds to help neuter some market risk in the portfolio. Due to our large cash position and relative conservative positioning in our Core Corporate Carry bucket we didn't feel the need to spend premium during July. The decision saved the fund some money as liquid credit indices rallied during the month.

Summary

Corporate credit markets had a decent rally in July. Government bonds yields are now selling off so far in August. At the same time, corporate bond yields remain sticky which spits out tighter credit spreads from the bond math equation. The "soft-landing" narrative has taken hold in corporate credit just like it has in equities. However, there is an old adage in corporate bond investing…*more people have died chasing yield than by the barrel of a gun*. While tempting to chase yield, we are not incrementally adding generic risk to the portfolio given current market conditions. Our game plan in the months ahead:

- Focus on event-driven opportunities that are agnostic to overall macro conditions and whose prices and IRRs are anchored to idiosyncratic events.
- Look for "up in quality, yield give up" trades within our Core Corporate Carry strategy to improve credit quality.
- Maintain healthy liquidity to add risk on "back-ups" in the market from rising spreads or rising underlying rates.
- Attempt to trade the positions we own for advantage and extract a liquidity premium.

One advantage of the Fund's mandate is that we can move along the credit spectrum. We own 1-year AAA asset-backed securities yielding ~6% but also own obscure floating rate perpetual preferred shares yielding > 15%. The end goal is to find the best risk-adjusted return per unit of credit risk. This has naturally drifted us towards a bit of a "credit barbell" portfolio construction. Given our size, there are plenty of opportunities to deploy capital and scale our portfolio.

Letter V – June 2023

The NewGen Credit Strategies Fund, a corporate credit-focused liquid alternative strategy, ended June with a Class C NAV of $10.97 pre-distribution or $10.93 post the $0.04 distribution we paid mid-month. This compares to $10.86 at the end of the prior month and the inception NAV of $10.00. Our $0.04/unit distribution in June represents a 4.80% cash yield based on the inception NAV of $10.00. A rough estimate of the breakdown of the Funds YTD gains: ~37% Interest Income, 18% Dividend Income and 45% Capital Gains, the majority of which have been realized. Dividends and capital gains provide far superior after-tax returns versus a pure interest income “carry” strategy, so we factor tax efficiency into our investment decisions. Our Net Exposure at month-end was 78% and Gross Exposure was 88% versus 77%/85% at the end of April.

Price	Yield-to-Worst	Cash Yield	Credit Spread	Duration
91.75	8.09%	7.15%	360 bps	2.5 years

Core Corporate (50% of NAV, 22 positions)

Positive Performance	Performance Detractors
Arko Corp. – ARKO 5.125% 11/29 Unsecureds	Argo Group 7% Preferred Share
Carriage Services – CSV 4.25% 05/29 Unsecureds	Victoria’s Secret – VSCO 4.625% 07/29 Unsecureds
GIII Apparel – GIII 7.878% 08/25 Secureds	OI Glass – OI 6.625% 05/27 Unsecureds

We exited our positions in Victoria’s Secret (poor quarter/trends) and OI Glass (valuation). Our position in the Deathcare company Carriage Services (“CSV”) appreciated in value during the month as the Company became subject to an all-cash take-over by Canadian company Parklawn (“PLC”). We have followed the Deathcare space for awhile and were originally attracted to the credit fundamentals of CSV. The position has now turned into an event-driven trade, so we have moved it to that bucket. There is uncertainty on whether PLC’s Brookfield-backed bid will succeed. Other permutations see Service Corp. (“SCI”) as a White Knight or a private equity sponsor buys CSV as a platform to roll up more funeral homes/cemeteries. On many of the nodes along our probability tree we see higher values that where the bonds are trading. Therefore, we did not sell the position after it rallied 4 points from 82 to 86 but in fact added to it. There is a reasonable probability the bonds see a 101 Change of Control Offer or stay outstanding but become the Obligor of a higher quality credit. It is not too often a large-scale Deathcare concern comes for sale we think it will be a prized cow at the auction.

Event-Driven (~20%, 12 positions)

Added Intercontinental Exchange {ICE 3.65% 25} at a price of ~98. These bonds will receive 101 if ICE’s take-over of Black Knight is blocked in federal court as the FTC is challenging the merger or simply the bid expires on November 4th. The upside if we are correct is an IRR of 11.40%. The downside is a ~0%-1% IRR consisting of a 1 pt loss on the bond less interest income waiting for the outcome of the event. We think the odds of the deal breaking are far greater than 50/50

Added Cablevision {CSCHLD 5.25% 06/24} at a price of ~93.5 to yield 13.2%. CSCHLD issued new bonds in April to pre-fund the refinancing of our bonds. Our bonds are not callable, and the interest expense associated with the Company’s revolver drawings is higher than the coupon on the bonds so the Company elected to pay down its revolver instead with the intent to redraw it on maturity. The position is not without risk as the Company is distressed and could try to do a coercive exchange to avoid paying cash to retire the bond at maturity.

We are in the midst of monetizing two very large and profitable event trades in July, one involving the sale of a preferred share position we own back to the Company that issued it and the other a closed end credit arbitrage trade.

Liquidity Provision (~22%)

The Fund had ~22% of its NAV in cash and cash equivalents at month-end but this number can fluctuate throughout the month depending on the short-term event-driven trading opportunities. As an example, at various points during the month we carried 5% cash awhile waiting for events to play out and liquify.

Special Situations/Stressed Credit (~8%, 8 positions)

We had a long bonds/short stock capital structure arbitrage trade in a Speciality Finance company that we are now unwinding. We intended to hold the position longer, but the bonds rallied 5-6 points from where we bought them, and the stock dropped over 10% and as a result we made our desired return and will look to recycle the capital elsewhere.

Floating Rate Perpetual Preferreds

One corner of the credit markets that has piqued our curiosity has been floating rate perpetual preferred shares issued by investment grade companies. These securities typically pay a quarterly dividend based on some floating rate index plus a credit spread. Investors go to great lengths to find assets whose cash flows *increase* with rates & inflation by buying bridges, ports, tolls roads to earn 8%-12%. We think this asset class offers similar characteristics as the longer inflation stays elevated the higher the likelihood that short rates stay elevated which means the higher the cash flow from the security. Thinking about portfolio construction, these securities provide a nice offset to the fixed rate assets in the Fund.

We currently have 8% of the Fund invested in floating rate perpetual preferreds across 5 credits. In many cases the yields are so elevated than even a half dozen or so rate cuts still make them cheaper to their comparable fixed rate equivalents.

Credit	Price (in bond terms)	Cash Yield	Pre-Tax Interest Equivalent Yield	Floating Rate Index	S&P Family Credit Rating
Media/Tech	52 cents	9.4%	12.2%	Canada Prime x 70%	BBB
Pipeline	58	11.8%	15.3%	T-Bills plus Spread	BBB+
Financial Services	61	10.7%	13.9%	T-Bills plus Spread	A+
Real Estate	39	12.5%	16.3%	Canada Prime x 70%	BBB-
Aviation	96	15.0%	12.8%	LIBOR x 2.75	BBB
Total	**61 cents**	**11.9%**	**14.1%**		

Risk Overlay

The Fund is currently net long corporate credit which means we are inherently short volatility as one can think of a corporate bond as a put option on a company's <u>assets</u>. Corporate credit spreads have historically been correlated to equity volatility and the correlation grows stronger as equities decline in value. A sharp decline in the equity markets alongside a spike in volatility often occurs alongside a widening in credit spreads. Therefore, a long position in volatility is a good market hedge for corporate credit. At the beginning of June volatility collapsed so we initiated a modest long position in the VIX Index to hedge some of the *market* not credit risk of the Fund. In addition, we bought a VIX 20/30 "call spread" that would benefit if VIX spiked above 20 but stayed below 30. Both hedges have gone against us in June as volatility was on a steady decline all month, but the offset was capital gains on our core corporate positions.

Summary

Opportunities in the corporate credit markets continue to be open at depth. We like our positioning in our Corporate Carry bucket and will continue to clip coupons and collect dividends. The task at hand in the months ahead will be refilling our event-driven pipeline with new opportunity as existing trades roll-off and liquefy.

Letter IV – May 2023

The NewGen Credit Strategies Fund, a corporate credit-focused liquid alternative strategy, ended May with a Class C NAV of $10.854 compared to $10.862 at the end of the prior month and the inception NAV of $10.00. Our Net Exposure at month-end was 77% and Gross Exposure was 85% versus 68%/87% at the end of April.

Core Corporate (53% of NAV, 20 positions)

A quick summary of our Core Corporate carry portfolio. A notable metric is our high allocation to senior secured bonds.

Price	Yield-to-Worst	Cash Yield	Credit Spread	Duration	Credit Rating	Secured %
90.38	8.37%	6.94%	452 bps	3.78 years	BB-	44.6%

Positive Performance	Performance Detractors
Titan International TWI 7% 04/28	Carriage Services CSV 4.25% 05/29
TD Bank TD 8.125% 10/82	Vector Group VGR 5.75% 02/29
Winnebago Industries WGO 6.25% 07/28	Canadian Floating Rate Preferreds

Exited Positions

We sold our position in SeaWorld {*SEAS 5.25% 2029}* bonds at 91.25 to yield 7% simply on bond valuation relative to credit risk. SeaWorld is very well managed and has a good balance sheet but has a yet to be unveiled plan to build hotels on its amusement properties which could see leverage rise. However, at the right price these bonds could re-enter the portfolio.

New Positions

We initiated a position in the $400mm senior secured 1st lien bonds of G-III Apparel {*GIII 7.875% 2025*}. GIII is a well managed 3rd-generation apparel business started in 1956 that has been public since 1989. The Company sources and markets apparel under brand licenses such as Donna Karan, Calvin Klein, Tommy Hilfiger and Karl Lagerfeld. The Company has: a) no material debt other than the subject bonds, b) $650mm undrawn credit facility, c) $175mm of cash, d) +$700mm market cap, e) $675mm of accounts receivable and $709mm of inventory, f) generated ~$200mm of Free Cash Flow in FY2023. At a 10.5% yield for what is likely to be a 1.5-year duration bond given the propensity of high yield companies to refinance one year in advance of a maturity we think the bonds are good value and therefore accumulated a position.

Event-Driven (~29%, 12 positions)

Ford Motor Credit Canada ("FMCC")

We initiated a position in one of FMCC's unsecured bonds with the thesis that they will be upgraded to Investment Grade in late-2023/early-2024. The bonds we own by our math are the cheapest of the dozens of FMCC bonds issued globally across multiple currencies. We bought the bonds with a credit spread of 392 bps which compares to ~285 bps for a similar bond in USD and ~315 bps in GBP. GM Financial, the nearest comparable to FMCC, is investment grade and trades with a credit spread of between 165-195 bps for a similar maturity instrument.

If we assume that FMCC is upgraded to investment grade by March 31, 2024, and the bonds tighten to +50 bps above GM Financial then we could see a +2.50% capital gain plus the 7.375% running coupon for a 1-year total return of ~9.9%.

First Horizon Bank ("FHN") / TD Bank Risk Arbitrage

We purchased FHN bonds under the thesis that TD Bank would ultimately acquire FHN but at a "recut" equity price. Part of our conviction was the motivation on both sides to see a deal through to completion was high, albeit at a lower equity price. We bought our FHN bonds at a credit spread of ~340 bps compared to similar TD Bank debt trading at ~170 bps at the time. Should the take-over have been completed, FHN's bonds would have eventually traded at a similar credit spread and generated a 10% capital gain plus a running coupon of ~6%. Unfortunately, we were wrong as the transaction failed, reportedly based on a yet to be disclosed issue the US regulators had with TD bank anti-money laundering compliance. Once our thesis was wrong, we made the decision to exit the position as tactically as possible. We waited for other risk arbitrage sellers to exit over the first week after the deal broke and the bonds rallied 16 pts off the low and we sold the entire position crystalizing a loss for the Fund.

Liquidity Provision (~23%)

The Fund had 23% of its NAV in cash and cash equivalents at month-end but this number can fluctuate throughout the month.

Special Situations/Stressed Credit (~6.3%, 6 positions)

We added two new positions during the month, one short and one long.

Mining Company

The Company is currently developing a new mine and surprised the market by obtaining new 2nd lien financing with a group of distressed lenders at a high effective cost of ~14%. The new shorter maturity loan is ranked senior to the bonds and has a maintenance covenant. This transaction is what we call "getting primed". We shorted the unsecured bonds at a yield of <11% and given they mature outside of the new financing and are lower ranked in priority in theory they should trade at a higher yield than 14%. The short is a cheap option on the mine failing to start up which could lead to a covenant breach but most importantly, the bonds should not trade at a materially lower yield than were the new debt was raised.

Specialty Finance

We bought the bonds in a Specialty Finance company at a yield of ~16% and a price < 80 cents. We partially hedged the position with a short position in the common stock as we think there is a disconnect in the valuation of the two parts of the capital structure.

Summary

Corporate defaults are rising, and credit conditions are tightening. Avoidance of defaults will be key to outperformance in the months ahead. Credit selection is the process of *exclusion* not *inclusion* (i.e., it is the bonds you don't buy that matter more than the bonds you buy). Some prognosticators believe high yield credit spreads are too tight given where we are in the cycle, and we have some sympathy for that argument. A reasonably bad scenario is that spreads widen 200 bps but this likely means a decline in government yields as they are often negatively correlated. If government yields decline by 100 bps this would imply a net rise in high yield bond yields from ~9% to 10% and a 3.7% capital loss on the High Yield Index. However, the running yield on high yield is ~6.7% or 58 bps per month with a yield-to-worst of ~9%. So practically, using the simple scenario math above, if you think credit spreads are too tight and want to "time the market" you need spreads to really blow out in the next 6 months or so to be better off simply holding onto the asset class and accepting the net return of "carry less capital loss" while avoiding the friction costs of buying and selling. *We are being cautious and prudent but the opportunity cost of being too negative on corporate credit is quite high at these elevated yields.*

Letter III – April 2023

The NewGen Credit Strategies Fund, a corporate credit-focused liquid alternative strategy, ended April with a Class C NAV of $10.86 compared to $10.79 at the end of the prior month and the inception NAV of $10.00. Our Net Exposure at month-end was 80.0% and Gross Exposure was 91.5% versus 67.5%/87.4% at the end of March.

Core Corporate Carry (44% of NAV, 19 positions)

A quick summary of our Core Corporate carry portfolio:

Price	Yield	Credit Spread	Duration	US/Canadian
91.1	8.04%	435 bps	3.8 years	61%/39%

Positive Performance	Performance Detractors
Carriage Services CSV 4.25% 2029	Arko Corporation ARKO 5.125% 2029
Baytex Energy BTECN 8.75% 2027	Floating Rate Preferreds
Canadian AT1 Securities	N/A

Arko Corporation

Arko, a US convenience store operator, launched a competing bid to acquire Travel Centers of America ("TA"), after TA agreed to sell itself to BP plc. The complex competing bid would see Arko lever-up and use most of its debt capacity to finance the transaction. The bonds traded down from 84 down to 81 cents to yield 9%. After reviewing the bid, we felt it was unlikely Arko could finance the proposed acquisition which was opposed by TA itself. We took the opportunity to add to our existing position as we like the management team of Arko and while they are no doubt acquisitive, they are good operators. We think the M&A risk is already priced into the credit at 9%.

Event-Driven (~29%, 12 positions)

We closed four event-driven positions during the month:

Brookfield Select Opportunities Fund ("BSO-U") – Credit-Focused Closed End Fund Liquidation

On December 19, Brookfield, BSO's Fund Manager, issued a press release stating the following: *"the investment manager, is considering various strategic alternatives for the Fund given its small size. This includes, reducing the Fund's quarterly distribution in 2023, a potential reorganization into another fund or liquidation of the Fund. PSG will provide an update once it determines to advance one of these strategic options and expects to be in a position to do so by the end of the first quarter 2023."*

BSO was trading at $5.55 at the time even though its NAV was only $1.76 as the Fund never adjusted its distribution downward as the income from the underlying portfolio declined. Investors flocked to its ~30% yield even though much of the distribution was return of capital. The Fund's own disclosure stated that it paid out way more than they earned. We shorted BSO in Q1 awaiting the event and on March 14 Brookfield announced they were liquidating the Fund and holders would receive the NAV by the end of April. We took a second bite at the apple when the Units traded down to as low as

$1.25 even through the NAV was $1.58. We covered our short position and went long the Units on the same day and continued to buy aggressively right up until the Liquidation Date. The Fund received $1.605 in cash on April 25.

Rogers Communications - RCICN 5.25% 2082 Junior Subordinated Bonds – Index Event

RCI issued investment grade "hybrid" bonds in February 2022 to finance part of the Shaw acquisition. It was widely known that the credit rating of these bonds would be downgraded to high yield following the closing of the transaction. As expected, on April 6, the bonds were formally downgraded by Moody's and S&P. The downgrade caused *forced selling* by investment grade index funds and as a result we bought some bonds at an attractive level from an indexer. Then at the end of the month, the bond formally entered a high yield index which then caused aggressive *forced buying.* We then sold the bonds to another indexer at a higher level than where we bought them.

Maxar Technologies – MAXR 7.75% 06/27 Senior Secured 1st Lien Bonds – Make-Whole Redemption

We accumulated the bonds at an average price of ~105.125 after a thorough read of the bond indenture indicated that as part of the take-private transaction the private equity sponsor would have to redeem the bonds using its "make-whole" privileges. The bonds were redeemed at ~106.5 and we collected a 7.75% coupon while waiting for the redemption.

Seaspan - SSW 6.50% 2026 Senior Unsecured Euro-dollar Bonds – Change of Control Offer

Our position was redeemed at a price of 101 following a Change of Control Offer. Atlas Corporation, the Parent of Seaspan, was taken private on March 28th and as a result the Company was required to offer us a redemption price of 101.

Liquidity Provision (~25%)

The Fund had 25% of its NAV in cash and cash equivalents at month-end but this number can fluctuate throughout the month based on our active trading. We purchased a "hard-called" IG bond during the month at a 6% 30-day yield.

Special Situations/Stressed Credit (~7%, 4 positions)

We finally found a few opportunities to deploy capital within this sleeve. We acquired a position in a security tied to the commercial real estate market at an interest equivalent running yield of ~17%. Having had a bearish position in commercial real estate credit for most of the year we now think opportunities are beginning to emerge on the long side. The constant negative sentiment on commercial real estate, particularly office, has caused a wash out in securities prices across a wide range of credits even though the balance sheet structures, and asset quality vary widely. In addition, we purchased a 1st lien secured bond from a performing credit that yields 15%. This was done via the primary market, a first for the Fund.

Risk Management Overlay

- We have maintained our short position in USD investment grade credit spreads because of an expected busy month of primary issuance that could see credit spreads widen from April levels.
- We did not roll our bearish HYG option structure on expiry but instead replaced it with a short position in HYG. HYG is trading at ~50 bps premium to NAV.

We are currently focused on scaling two attractive event-driven trades and harvesting a handful of what we think are profitable existing event-driven trades scheduled to roll-off in the next 3 months.

Letter II – March 2023

The NewGen Credit Strategies Fund, a corporate credit-focused liquid alternative strategy, finished the quarter-ending March 31st with a Class C NAV of $10.79 compared to $10.56 at the end of prior month and the inception NAV of $10.00. Our Net Exposure at month-end was 67.5% and Gross Exposure was 87.4%

Core Corporate Carry (47% of NAV, 21 positions)

Our *Core Corporate Carry* sub-strategy positioning remains unchanged from the prior month. We are tilted towards B+ rated senior secured and unsecured paper from US mid-market publicly traded companies. We continue to prefer this part of the credit universe as we think the flight to quality ("BB") has investors trading off *lower* credit risk for *higher* interest rate risk. Contrarily, we are shunning the lower end of the high yield market ("CCC") which while much less correlated to interest rates is very exposed to default risk. We are aligning the portfolio to have a reasonable balance between *interest rate risk* and *credit risk* until we have a clearer picture of where we are in the rate/credit cycle. We favour simple businesses that are FCF positive with no near-term debt maturities. A quick summary of our Core Corporate carry portfolio:

Price	Yield	Credit Spread	Duration	US/Canadian
90.3	8.09%	434 bps	3.75 years	49.9%/50.1%

Positive Performance	Performance Detractors
Canadian Bank AT1 securities	Titan International
Arko Corporation	Bluelinx
Cars.com	Floating Rate Preferreds

All our positions except for one bond were purchased on the secondary market and many of the positions we own are "well seasoned" meaning they have been outstanding for a reasonable period. We have been adding to existing positions when Credit ETFs are selling for liquidity.

Banking Crisis and Canadian Bank AT1s

The Fund entered the recent Banking Crisis with ~20% cash, no leverage, de minimis exposure to Banks and *zero* positions (long or short) in very volatile "risk-free" governments bonds. When the Banking Crisis started to unfold mid-month, we dropped what we were working on to focus on the headline grabbing Bank AT1 market. We first sold the very small exposure we had in CAD AT1 securities and rotated into a large weighting in two USD Canadian Bank AT1 from TD and BNS that we view as being the cheapest two bonds out of the dozens of AT1 securities issued by Canadian Banks. We actively traded our AT1 positions throughout the month and as a result the largest contributor to Fund's Core Corporate Carry sub-strategy was our position in TD's 8.125% 82 USD AT1 security.

	BNS 8.625% USD	BNS 7.023% CAD	TD 8.125% USD	TD 7.283% CAD
Price (March 16th)	100.625	99.23	99.5	101.14
Yield-to-Next Call (2027)	8.55%	7.11%	8.34%	6.98%
Spread-to-Next Call (2027)	487 bps	423 bps	466 bps	392 bps
Yield-to-Maturity	8.22%	7.30%	7.93%	7.10%
Spread-to-Maturity	453 bps	405 bps	430 bps	405 bps

[1]*As a reminder, the Fund does not sell short government bonds on a levered basis to buy bonds issued by Banks.*

Event-Driven (~20%, 12 positions)

Our Event-Driven sleeve continues to be the largest driver of returns for the Fund year-to-date. We closed three positions during the month:

- Long IAA 5.50% 2027 bonds against a short position in new issue Ritchie Brothers unsecured bonds. The take-over of IAA by RBA closed successfully, and our bonds bought at ~98.25 were redeemed at 102.75 and we covered the RBA short before settlement.
- Long Intercontinental Exchange ICE 3.65% 2025 with Special Mandatory Redemption. Exited the position after ICE agreed to continue to fight the FTC to close the merger with Black Knight. Our thesis was that the deal was going to break, and we would receive 101 on our bonds.
- Long First Quantum Unsecured Bonds. Company had a positive resolution with the Panama Government around the economic terms and conditions associated with its flagship Cobre Panama Mine and we exited the position bought during the early stages of the dispute.

Liquidity Provision (~30%)

The Fund had 30% of its NAV in cash and cash equivalents at month-end but this number can fluctuate throughout the month based on our active trading.

Special Situations/Stressed Credit (~2%, 2 positions)

Our positioning remaining unchanged as we wait patiently for companies with stressed balance sheets that need capital to come to the primary market. We are currently working on a credit file where we think we can deploy some of the Fund's capital into a senior secured performing credit at a 15% yield. The bogey for us to deploy the Fund's capital into more stressed or special situation credits remains very high.

Risk Management Overlay

- We entered the month with a short position in a *Commercial Real Estate* security as a general risk hedge because of our general worries about the CRE market. However, we ended up monetizing the hedge as the price of the security deteriorated rapidly as the banking Crisis unfolded.
- We initiated a macro short position in US investment grade cash credit spreads during the beginning of the Banking Crisis that helped protect the Fund against a market decline.
- Our bearish option structure on Blackrock's HYG ETF remains intact.

The opportunity set in credit is robust and we hope the ongoing volatility associated with the Banking Sector continues as it opens up more active trading opportunities and gives us a chance to add to our core positions at lower prices.

Letter I – Feb 2023

Today marks the second month for the NewGen Credit Strategies Fund, **a credit-focused liquid alternatives strategy** launched on January 1st. The current Net Asset Value ("NAV") for the Class C units is $10.5463 versus our Inception NAV of $10.00.

A quick summary of the portfolio:

Core Corporate Carry (~49% of NAV)

Our *Core Corporate Carry* sub-strategy is now yielding 7.9%, has a credit spread of 369 bps and a duration of 3.7 years across 22 positions. The portfolio is tilted towards B+ rated senior secured paper from US mid-market publicly traded companies. Examples below:

1. Dave & Busters
2. Bluelinx
3. Winnebago Industries
4. Titan International
5. Vector Group
6. Cars.com

We also have a modest allocation to floating rate preferred shares as well as investment grade junior capital securities from Canadian Banks.

Event-Driven (~27%)

Our *Event-Driven* sleeve has been the largest driver of returns for the Fund year-to-date. One example is a short position in a Closed End Credit Fund that is trading above NAV. While a small focus of the overall portfolio, we see some opportunities in Closed End Credit Funds that primarily hold corporate credit assets trading at material discounts or premiums to their NAV. Another contributor was our trade in the bonds of Resolute Forest Products. We purchased the bonds in January at 99-99.25, clipped some coupon and sold them between 102-102.40 following the announcement that the Company was going to call the bonds as we expected. We anticipate that many of our Event-Driven trades will roll off between 30 and 180 days with several positions tied to situations where a Company or successor entity is required to retire their bonds prior to maturity at a pre-determined price on a defined timeline. We will then look to reload on what we anticipate will be a busy year for corporate events.

Liquidity Provision (~17%)

We are maintaining plenty of liquidity in the Fund at present for two reasons;

1. Ample cash and cash equivalents allow us quickly to fund *Event-Driven* trades that typically occur at random on a daily basis (i.e. an announced merger or asset sale). Often for *Event-Driven*

trades, we need to react within 30 minutes of a press release and having liquidity to build a position without selling something else quickly is important and we don't anticipate using leverage in the Fund.

2. We are being paid reasonably well at present to hold near cash securities relative to longer duration credit assets. Our *Liquidity Provision* portfolio currently yields close to 5% and is composed of cash sitting at our Prime Brokerage account, High Interest Saving Account ETFs and near-term fixed rate corporate bonds.

Special Situations/Stressed Credit (~4%)

We only have ~4% of the portfolio in *Special Situations/Stressed Credit*. We don't anticipate allocating materially more capital to this sub-strategy at present because we anticipate further credit stress on lower rated credit moving forward. Outside of one isolated position, we hold no debt in private companies, no LBO debt and no CCC high yield paper. Despite seemingly attractive yields on 'CCC' paper, we think there is more pain ahead as lower rated companies struggle to cover their interest payments especially ones with a large component of floating rate debt in their debt structure.

Risk Management Overlay

We were active in trading listed options tied to liquid credit indices such as the Blackrock's HYG high yield ETF. We have on a bearish options structure that helped cushion some of the market risk for the month of February from our *Core Corporate Carry* portfolio. We took the opportunity to roll forward our option structure an additional month at almost no cost during the largest negative down day in credit so far this year.

Summary

We are excited about the first few months of the Fund and the opportunity set ahead. The Fund is fully operational with a fully ramped up portfolio ready to be scaled. While we are cautious on the current corporate credit valuations, we continue to find opportunities daily to generate reasonable returns either through corporate events or mispriced bonds under-appreciated by larger credit managers or index funds. The high yield market in North America has +$1.4 trillion of bonds outstanding across
+2,500 issuers and there are tens if not hundreds of press releases and earnings reports on a daily basis to sift through. The Fund is small and nimble enough to deploy capital and take advantage of mispriced corporate credit securities.