Cidel
Asset Management

Cidel's Investment Team Commentary

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CIDEL CANADIAN FIXED INCOME FUND

Q3 2021 as of September 30th

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I. Market Overview

Lofty growth forecasts were paired back during the quarter due to supply disruptions and signs that inflationary pressures were weighing on consumer and business sentiment. Disappointing US employment numbers, regional delta variant outbreaks and an unexpected contraction in Q2 Canadian Real GDP (-1.1% annualized) added to concerns. The softer growth backdrop, political developments and August US CPI data, suggesting inflation pressures were peaking, resulted in benign September monetary policy decisions from both the Fed and the Bank of Canada. The Fed suggested that tapering asset purchases could end around the middle of next year, while being careful to give itself lots of latitude on the start date.

US Treasury and Government of Canada yields fell in July, traded in a narrow range through early September, rising to the end of the quarter – 10-year yields rose by 7 and 12 basis points, respectively. The US yield curve bear flattened while the similar Government of Canada curve bear steepened, reflecting an increase in US short-term rates which had lagged higher short-term Canadian rates. Investors have been anticipating more aggressive action from the Bank of Canada. US and Canadian overnight indexed swaps are pricing in one and two hikes in 2022, respectively.

Credit conditions remained favourable for provincial and investment grade corporate credit, but investors remained cautious, continuing to reach for yield but preferring short and mid-term issues. Provincial yield spreads benefitted from diminishing concerns over supply as provincial fiscal forecasts, which were initially based on very conservative assumptions, came in well above expectations. Domestic investment grade credit benefitted from positive corporate earnings, ratings upgrades and continued easy monetary policy. Volatility was more acute in the high yield market which saw periods of primary market disruptions. Overall, provincial and corporate yield spreads tightened but remained within narrow ranges over the quarter.

II. Performance

Canadian Dollar	4 Year Annualized (%)	1 Year (%)	Year-To-Date (%)	3 Months (%)
Rate of Return				
Cidel Canadian Fixed Income	5.0	-1.7	-3.0	-0.1
Bloomberg Barclays Aggregate Canada Index	3.6	-3.5	-4.0	-0.5
Value Added/Dectracted	**142 bps**	**177 bps**	**101 bps**	**39 bps**

What Worked In the Quarter

The portfolio, which had a duration that was shorter than that of the benchmark, benefitted on a relative basis from the rise in yields. The portfolio also benefitted from an overweight exposure, on a market value and duration weighted basis, to corporates given narrowing credit spreads and additional yield pickup. The corporate holdings, which were overweight short and mid-term credits in lieu of long bonds, benefitted from bull steepening of the credit spread curve (increasing spread with term). Overweight positions in outperforming issues of senior domestic bank, telecom and insurance debt also benefitted performance. The portfolio had no exposure to underperforming airport, auto and pension debt. The provincial holdings, which are concentrated in Ontario, British Columbia and Quebec outperformed on significantly improved fiscal projections and reduced supply expectations..

What Didn't Work In The Quarter

The portfolio was underweight lower-rated oil producers, pipelines and Alberta debt which outperformed on rising energy prices.

III. Portfolio Activity and Characteristics

Exposure to lifeco insurance, federal agency, telecom, securitization and senior domestic bank debt was increased through a reduction in power generation and industrial services. The duration, yield curve, sector and credit quality bias of the portfolio were maintained.

Sectors	June 2021		September 2021		
	Portfolio (%)	Benchmark* (%)	Portfolio (%)	Benchmark* (%)	+/- (%)
Key Characteristics					
Average Yield To Maturity	2.0	1.6	2.2	1.7	0.5
Average Term (Yrs.)	10.6	10.5	10.4	10.5	-0.1
Duration	7.4	8.1	7.2	8.1	-0.9
Sector					
Federal	11.7	42.9	14.5	43.6	-29.1
Provincial	40.7	33.1	38.9	32.6	6.3
Municipal	0.0	1.8	0.0	1.8	-1.8
Corporate	47.6	22.1	46.6	22.0	24.6
Term					
Short Term (0-5 Yrs.)	24.0	44.4	29.8	44.1	-14.3
Mid Term (5-10 Yrs.)	30.6	24.1	25.3	24.6	0.7
Long Term (+10 Yrs.)	45.4	31.5	44.9	31.3	13.6
Ratings					
AAA	17.0	43.4	18.7	43.7	-25.0
AA	31.1	21.0	29.9	20.4	9.5
A	27.4	25.4	29.3	25.5	3.8
BBB	24.5	9.5	20.5	9.5	11.0
<BBB	0.0	0.0	0.0	0.0	0.0
NR	0.0	0.8	1.6	0.9	0.8

*Bloomberg Barclays Aggregate Canada Index

IV. Outlook

We expect economic data to remain volatile while the pandemic continues to infect the economy leading investors to act cautiously. We believe market pricing offers some opportunity for tactical positioning but expect yield curve moves to be relatively modest. It may take more time than investors think for inflation expectations to dissipate, thus placing some near-term upside risks to breakeven inflation rates and nominal yields. On the other hand, there is a risk that growth disappoints, leaving room for real yields to decline, despite already being at very low levels. Ultimately, we see near-term risk of higher nominal yields, with the potential for reversal further out.

Consistent with the potential for higher inflation expectations and recognising that investors are not being particularly well-rewarded for investing further out the yield curve, the portfolios are positioned with slightly shorter-than-market duration, with a slight bias for yield curve steepening. Should yields rise, either through higher inflation expectations or growth surprises, we will look to take advantage of tactical opportunities.

Credit conditions have remained favourable for most industries given the economic recovery and continued easy financing conditions. However, cost pressures, loss of economic momentum, gradual withdrawal of fiscal stimulus, elevated leverage, and weakened debt structures amongst lower rated credits leave yield spreads of higher risk credits more vulnerable to widening from post credit crisis lows. In the domestic market, which is dominated by investment grade credits, leverage metrics are similarly elevated, but debt servicing metrics are healthy and refinancing risk is not a near-term threat, even for the lowest-rated issues.

The portfolio has good liquidity and is well positioned to capitalize on relative value and yield enhancement opportunities.

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CIDEL CANADIAN PREFERRED SHARES FUND

Q3 2021 as of September 30th

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Rate volatility, softer growth forecasts, persistent cost pressures and risk market selloffs relating to the Evergrande default, Afghanistan withdrawal and US debt ceiling stalemate had little impact on domestic investment grade yield spreads for the quarter, which tightened by 2 basis points across the curve and traded in a narrow 5 bps range. Earlier in the quarter, the steeper Canada curve helped promote more term extension trades in the short and mid-term area However, in September, absolute returns were overwhelmed by bear steepening of the underlying Government of Canada yield curve, as investors reassessed term premiums.

Relatively wide corporate yield spreads as a percentage of all-in yields on a historical basis continue to attract investors. This structural demand buttressed spread widening pressure from an uptick in issuance that is now on pace to surpass last year's near record tally. Maple bond (Canadian dollar-denominated foreign-issuer) issuance surged to levels not seen since prior to the credit crisis, as investors were searching for diversification opportunities rather than attractive pricing – home market issuance was slightly cheaper – which encouraged several issuers who had been absent the market for more than a decade (e.g., Barclays, BNP Paribas) to launch issues.

As the economic reopening takes shape around the world we are seeing strong demand for energy, driving prices higher for oil, natural gas and electricity across north America. Companies in the pipeline, utilities, and oil producing sector saw their preferred shares outperform this quarter. These shares also reset with a spread that is less than 300 basis points, the rise in 5year government of Canada yields has made these preferred shares more desirable as the level of income they generate should increase as they reset. The other side of rise in 5 year yields has made resets trading with a spread greater than 350 basis points less desirable as the likelihood of them being called at par increases. Which was a common theme with our laggards this quarter.

Brookfield Office Properties had a number of issues underperform this quarter, as the issuer was taken private by Brookfield Asset Management.

II. Performance

What Worked in the Quarter

The portfolio's overweight positions in preferred's that reset with a spread greater than 240 bps and that reset in 2023 or 2024 outperformed in the quarter. Our underweight in Brookfield Properties also added to performance.

What Didn't Work in the Quarter

Our holdings of preferred shares that reset with a spread of 400 bps or greater underperformed in the quarter as any premium on these issues is slowly being eliminated the closer they get to their reset date, given the strong likelihood of being called at par.

Canadian Dollar	4 Year Annualized (%)	1 Year (%)	Year-To-Date (%)	3 Months (%)
Rate of Return				
Cidel Canadian Preferred Shares Fund	6.6	30.0	19.2	2.6
S&P/TSX Preferred Share Index	5.1	26.0	17.5	2.8
Value Added/Dectracted	**150 bps**	**395 bps**	**172 bps**	**-19 bps**

III. Portfolio Activity and Characteristics

During the quarter overweight positions were reduced through the sale of CIBC, BCE and National Bank shares. Common share positions of the Canadian banks were also reduced as the dividend yields were comparable to the dividends on preferred shares. The portfolio's positions of Westcoast energy and Sunlife Financial were called. The Altagas position was added to.

IV. Outlook

Credit conditions have remained favourable for most industries given the economic recovery and continued easy financing conditions. However, amongst higher risk credits, cost pressures, loss of economic momentum, gradual withdrawal of fiscal stimulus, elevated leverage, and weakened debt structures leave yield spreads vulnerable to widening from post credit crisis lows. In the Canadian market, which is dominated by investment grade credits, leverage metrics are similarly elevated, but debt servicing metrics are healthy and refinancing risk is not a near-term threat, even for the lowest-rated issuers.

We remain cautiously optimistic on the Canadian preferred share market. Credit conditions remain favourable, given the economic rebound, rising Government of Canada 5-year yields, and the ability for companies to refinance at reasonable rates. However, our forecast for the economic recovery to fall short of expectations, and the gradual withdrawal of monetary and fiscal stimulus will exert some pressure on the preferred share market.

In particular, those preferred shares that reset with a spread of 250 pbs or less, and whose reset date occurs in the 12- 18 months are vulnerable. When compared to the benchmark the portfolio is underweight preferred shares that reset with these lower spreads.

The portfolios focus continues to be on preferred shares that reset with a spread of at least 250 bps, and a reset date of 2023 or longer. Currently, the portfolio is overweight in both categories compared to the benchmark.

In general, the portfolio has good liquidity and is positioned to take advantage of the rise in yields from a strengthening economy with improving income and the potential for some capital appreciation.

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CIDEL CANADIAN TOTAL RETURN FUND

Q3 2021 as of September 30th

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The Canadian equity market was essentially flat for the third quarter posting a positive 0.2% return, a pause to the 17.5% year-to-date total return. The positive earnings estimate revisions for the S&P/TSX for the next 12 months of about 7% was entirely offset by the contraction of the forward price-to-earnings multiple from about 15.8x to 15.0x during the quarter. Investors' confidence in riskier assets diminished during the quarter with rising concerns that a Delta-variant driven 'fourth-wave' may impair business activity. Unsurprisingly, the Consumer Staples sector was the best performing sector up 4.6%. While the worst was Healthcare sector (again) down 19% which consists primarily of cannabis producers. They continue to struggle with profitability. Other notable performances came from the within the Energy sector, with natural gas focused Tourmaline up 28%. The Energy sector as a whole was up 2.8%. The rise in natural gas prices (up an astonishing 61% during the quarter) eclipsed the slight increase in oil prices (2%). The technology sector, while down 1.3% saw a wide range of individual stock returns from Blackberry giving back some of its 'meme-stock' driven gains (down 18.6%) to digital payments innovator NUVEI posting a remarkable 43% return. Gold and silver miners struggled during the quarter, despite a flat gold price.

II. Performance

The Fund posted a positive return of 1.7% in the third quarter outperforming the S&P/TSX Index's return of 0.2%. We remind investors that this is an incredibly short period to measure performance. Nevertheless, the reasons for the outperformance compared to the S&P/TSX Index were both security selection and sector allocation.

The leading sector for security selection was Real Estate with the holdings in Boardwalk REIT, Colliers and Granite REIT all returning greater than 10% during the quarter. Somewhat offsetting the strong security selection in Real Estate was security selection in the Energy sector with the position in Parkland down 10%. We note that Parkland, while being classified in the Energy sector has more in common with its Consumer Staple peer Couche-Tard (fuel retailer and convenience store operator) than the companies in the Energy sector who extract oil and natural gas or operate related pipelines. Different business model. As such, we remain patient with Parkland as valuation remains very compelling. Sentiment could change with a gradual return-to-normal as consumers require fuel for their vehicles and snacks for their passengers. From a sector allocation perspective, the underweight in the underperforming Materials sector had the largest positive impact. The fund's only position in the Materials sector is fertilizer producer and retailer Nutrien (up 10%) and thus avoided the negative returns posted by the hard rock miners.

Canadian Dollar	4 Year Annualized (%)	1 Year (%)	Year-To-Date (%)	3 Months (%)
Rate of Return				
Cidel Canadian Total Return	6.3	24.0	15.8	1.7
S&P/TSX Composite Index	9.8	28.0	17.5	0.2
Value Added/Detracted	**-343 bps**	**-405 bps**	**-167 bps**	**149 bps**
Standard Deviation				
Cidel Canadian Total Return	13.6	11.7	7.9	8.9
S&P/TSX Composite Index	15.1	12.2	7.4	7.0

III. Portfolio Activity and Characteristics

New Holdings	Increased Holdings	Decreased Holdings	Eliminated Holdings
	Parkland Corp	Loblaw Companies Limited	Quebecor Inc
Enghouse Systems Ltd			Brookfield Asset Management Reinsurnace Partners Ltd
	Ritchie Bros Auctioneers Inc		
Lifeword Inc			
	Consellation Software		

During the quarter, there was minimal trading activity. We eliminated two positions – Quebecor and Brookfield Asset Management Reinsurance and made small additions to existing holdings including Parkland. A reassessment of risk resulted in the elimination of Quebecor. There is likely a material change in the ownership of communication assets in Canada with Rogers' intention to acquire Shaw. In order to appease regulators, Rogers will likely have to sell Shaw's wireless assets. The risk is that Quebecor acquires the Shaw wireless assets, which are located outside of Quebec. Within this home base, Quebecor competes quite well with Rogers, Telus and BCE due to its wireline assets. No such advantage would exist outside of Quebec. In addition, there is a substantial capital requirement for Shaw's wireless assets to be competitive. Uncertainty about the size and timing of the capital requirement and returns on that capital to build out a 4th national wireless service provider means that the risks have increased without an apparent increase in potential return.

Brookfield Asset Management Reinsurance arrived in the fund late in the second quarter from a share spin out of the holding in Brookfield Asset Management. It was an immaterial position and we prefer to hold Brookfield Asset Management directly.

We used the proceeds from the Quebecor sale to add to high conviction holdings including Enghouse, Constellation Software, Richie Brothers and Parkland. For Parkland, the very attractive valuation noted above combined with an improving business fundamental outlook were the primary reasons for the increase in position size.

Sectors	June 2021		September 2021		
	Portfolio (%)	Benchmark* (%)	Portfolio (%)	Benchmark* (%)	+/- (%)
Energy	12.9	13.1	12.9	13.1	-0.1
Materials	2.0	11.6	2.1	11.2	-9.1
Industrials	14.0	11.3	15.4	11.5	4.0
Consumer Discretionary	5.4	3.9	5.2	3.6	1.6
Consumer Staples	5.9	3.6	6.1	3.7	2.4
Health Care	2.5	1.4	2.2	1.0	1.2
Financials	27.4	31.3	26.8	31.9	-5.1
Information Technology	11.2	11.2	12.4	11.5	0.9
Communication Services	9.6	4.9	7.3	4.9	2.4
Utilities	2.1	4.6	2.1	4.6	-2.5
Real Estate	6.9	3.2	7.5	3.1	4.4

*S&P/TSX Capped Composite

Key Ratios	June 2021		September 2021		
	Portfolio (%)	Benchmark* (%)	Portfolio (%)	Benchmark* (%)	+/- (%)
Dividend Yield (%)	2.7	2.6	2.4	2.6	-0.2
Dividend Growth - 5 yrs (%)	7.6	8.3	7.3	8.1	-0.8
Price / Earning Trailing (x)	25.5	21.6	23.7	18.0	5.7
Price / Earning Forward (x)	20.7	17.6	20.4	16.8	3.6
Price / Book Value (x)	2.4	2.2	2.5	2.1	0.3
Price / Cash Flow (x)	10.3	9.4	10.2	8.8	1.4
Return On Equity - 1 yr (%)	12.7	9.9	12.3	9.9	2.4
Beta (5yr)	0.9	1.0	0.9	1.0	-0.1
Avg. Market Cap ($M CAD)	52,690	67,650	53,090	67,750	-14,660

*S&P/TSX Capped Composite

The portfolio continues to display higher quality characteristics than the benchmark, as measured by Return on Equity, yet the overall valuation of the portfolio is only modestly higher than the benchmark.

IV. Outlook

"The Race" Updated

In the two previous quarterly reports we provided facts and statistics related to the COVID impact on Canadians and Canadian efforts to tackle the pandemic due to the obvious material impact it has not only had on Canadian businesses (and therefore investments in the portfolio), but our personal lives as well. We framed the efforts as a 'race' between vaccine rollouts and progression of COVID variants, although it feels more like a marathon. First an update on the facts and statistics for Canada for the third quarter. There was both good news and bad news. Note too that subsequent to the quarter, there was some potentially very positive news. First the good news: Canadian vaccine doses administered rose from 40 million as of early July to 56 million as of early October (40% increase). Fully vaccinated Canadians stand at approximately 71% of the population up significantly from 37% at that start of the quarter. A tip of the hat to all those that rolled up their sleeve. Now the bad news: Canada is in the middle of a 'fourth-wave'. At the start of the quarter, the 7-day case count was 3,500 but as of early October, the 7-day case count stood at over 28,000. Better than the mid-April peak of 60,000 cases, but not where we all hoped we would be. The consolation here is that vaccinations are proving effective at preventing severe outcomes. Subsequent to the quarter, Merck and its partner Ridgeback Biotherapeutics LP announced an oral pill that can be administered at the first sign of symptoms. Early days to be clear, as we wait for the publication of full drug test results and if the drug receives regulatory approval. However, we mention this drug to highlight the ongoing efforts of the medical scientific community. This, or perhaps future drugs, could be yet another effective tool to 'win' the race against the progression of COVID variants. Furthermore, Pfizer and BioNTech recently announced they are seeking regulatory approval for a smaller dose COVID-19 vaccine for children aged 5 to 11 year olds. We remain optimistic about a return to normal for all Canadians, both personally and professionally.

The Canadian equity market has declared itself the victor in The Race

As we noted in the last quarterly report, the Canadian equity market has already declared 'victory' over the pandemic delivering a total return of 17.5% year-to-date and is 13% above pre-pandemic levels. You may be thinking, 'Now what'? To begin, a reminder about forecasting with a quote often attributed to Danish politician Karl Kristian Steincke: "It is difficult to make predictions, especially about the future." One way to conclude on the future direction of the Canadian equity market is to assess the both the expected earnings growth and the market valuation of those estimates.

- First, earnings estimates for 2021 will likely come in above the pre-COVID level predicted back in January of 2020 displaying an alarming 'U' shape where fears of a COVID induced recession brought estimates down and then turned positive with announcements of government stimulus and effective vaccines. No need to revisit that ride. Estimates for 2022 followed a similar

revision pattern to be about the levels predicted pre-COVID, with approximately 4-5% growth over 2021. Note that 2021 estimated earnings are about 19% higher than the levels predicted for 2019.

- Second, the forward earnings multiple currently stands at about 15x, same, as it was the end of 2019. Importantly, in line with the 10-year average. This suggests investors are not overly optimistic, nor pessimistic in their assessment of the Canadian market.

The market is higher than pre-COVID levels due to higher earnings estimates and not multiple expansion. We believe that market returns driven in this manner are more sustainable.
The important question then becomes what has driven S&P/TSX earnings higher and is it sustainable. Higher earnings estimates come primarily from the Materials and Financials sectors. Companies in the Materials sector (gold, silver, lumber and fertilizers) account for about half of the increase in earnings estimates are due to the rise in commodity prices and the flow through to earnings. Companies in the Financials sector account for the other half of the increase.
Are current commodity prices and commodity producers' earnings sustainable? Maybe.
We would note, based on historical experience, that commodity sectors are cyclical making forecasting notoriously difficult. Will the Financials sector earnings continue to grow? Probably. In 2022, estimated earnings growth is 4-5% over 2021 and fortunately, there is a more balanced contribution amongst the sectors. Given the recent market performance, the earnings outlook and current valuation, a reasonable conclusion is that the extraordinary returns from the past 12-18 months from the Canadian equity market are unlikely to repeat as an annual rate of return. We politely suggest moderating your return expectations. However, despite this moderation, we caution against undue pessimism for three reasons:

1. There is a long list of known risks for investors to weigh, including impacts from the COVID 'fourth-wave' and the potential for higher inflation. In fact, there is always something to worry about and the media continues to follow the mantra of 'there is always a worry to report'.

2. The excellent financial health of the consumer, falling unemployment rates and accommodative monetary policy continue to drive economic growth.

3. Finally, valuations remain 'reasonable', as noted above, supported by long-term interest rates that are low in a historical context.

There is an additional consideration. The remarkable gains in commodity prices (flowing through to producers' earnings) has had a significant impact on the estimate revisions for the Canadian market. This, combined with the notorious difficulty in forecasting commodity prices, suggests that now may be the time for a more discerning approach to Canadian equities with a 'quality' strategy. As a reminder Cidel's Canadian Total Return does employ a 'quality' approach

to fundamental analysis paired with attractive valuation as a means to compound long-term wealth.

So what is a 'quality' strategy?

Our investment process at Cidel focuses on companies with the resiliency to withstand and survive when the inevitable "unknown unknown" arrives. What is resiliency? We assemble portfolios to generate wealth with companies we deem to be cash flow compounders. These companies have the following characteristics: attractive growth prospects based on a sustainable competitive advantage with a high degree of predictability. These business models produce recurring cash flows and high returns on capital and, when combined with solid balance sheets, form the basis of eligibility for the portfolio. Attractive valuation is the final gate. The wider the margin of safety the better to handle the "unknown unknowns". Finally, we ensure that the portfolio is a diversified collection of high-quality businesses.

Support:

https://health-infobase.canada.ca/covid-19/vaccination-coverage/

https://health-infobase.canada.ca/covid-19/vaccine-administration/#a1

https://health-infobase.canada.ca/covid-19/epidemiological-summary-covid-19-cases.html#a1

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CIDEL CORPORATE BOND FUND

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I. Market Overview

Rate volatility, softer growth forecasts, persistent cost pressures and risk market selloffs relating to the Evergrande default, Afghanistan withdrawal and US debt ceiling stalemate had little impact on domestic investment grade yield spreads for the quarter, which tightened by 2 basis points across the curve and traded in a narrow 5 bps range. Earlier in the quarter, the steeper Canada curve helped promote more term extension trades in the short and mid-term area However, in September, absolute returns were overwhelmed by bear steepening of the underlying Government of Canada yield curve, as investors reassessed term premiums.

Relatively wide corporate yield spreads as a percentage of all-in yields on a historical basis continue to attract investors. This structural demand buttressed spread widening pressure from an uptick in issuance that is now on pace to surpass last year's near record tally. Maple bond (Canadian dollar-denominated foreign-issuer) issuance surged to levels not seen since prior to the credit crisis, as investors were searching for diversification opportunities rather than attractive pricing – home market issuance was slightly cheaper – which encouraged several issuers who had been absent the market for more than a decade (e.g., Barclays, BNP Paribas) to launch issues.

Across the yield curve, the best spread and absolute performance came from issuers in oil and gas (rising prices, further deleveraging), real estate (reopening theme), pipelines (ex-Inter Pipeline), senior bank debt (robust earnings, limited issuance), insurance (strong core earnings and capital positions) and mortgage finance. Low volatility generally aided BBB-rated credits with the spread between mid-term BBB and A-rated debt narrowing 4 bps over the quarter. Canadian National Railway (CNR) recovered some of its recent underperformance, while Canadian Pacific Railway (CPR) was amongst the worst performers, as CPR emerged victorious over CNR in the competition to acquire Kansas City Southern.

Continued low passenger traffic and expected issuance (Calgary Airport) weighed on airport debt, and telecom/cable spreads (Rogers and Shaw) came under pressure as a result of expected funding needs (due to M&A and the upcoming spectrum auction). Rating actions

II. Performance

Canadian Dollar	4 Year Annualized (%)	1 Year (%)	Year-To-Date (%)	3 Months (%)
Rate of Return				
Cidel Canadian Corp. Fixed Income Fund	5.4	1.8	-0.4	0.3
Bloomberg Barclays Canada Aggregate – Corporate Index	4.2	-0.5	-2.2	-0.1
Value Added/Dectracted	**123 bps**	**229 bps**	**181 bps**	**37 bps**

What Worked in the Quarter:

The portfolio's corporate holdings are concentrated in the short and mid-term area of the yield curve in lieu of long bonds, where provincials concentrations are held. Low volatility and a cautious reach for yield by investors generally aided higher beta short-term credit and higher-rated, lower-risk long-term issues. The portfolio was overweight on a duration and market value weighted bases to industrial services, domestic bank debt (no exposure to non-DSIB banks) and insurance which outperformed. The portfolio had no exposure or was underweight, airport, pension and auto debt which underperformed.

What Did Not Work in the Quarter:

The portfolio was underweight lower-rated oil producers and pipelines which outperformed on rising energy prices.

III. Portfolio Activity and Characteristics

To capitalize on credit curve bear steepening, the portfolio's duration exposure to senior domestic bank, insurance, securitization and federal agency was increased through a reduction in power generation and shorter-term bank debt. The relative credit quality bias of the portfolio was maintained.

Sectors	June 2021		September 2021		
	Portfolio (%)	Benchmark* (%)	Portfolio (%)	Benchmark* (%)	+/- (%)
Key Characteristics					
Average Yield To Maturity	2.4	2.1	2.4	2.2	0.2
Average Term (Yrs.)	10.7	8.9	10.5	8.7	1.8
Duration	6.2	6.7	6.0	6.5	-0.5
Term					
Short Term (0-5 Yrs.)	37.8	49.6	38.6	49.2	-10.6
Mid Term (5-10 Yrs.)	26.6	24.5	26.1	25.1	1.0
Long Term (+10 Yrs.)	35.6	25.8	35.3	25.7	9.6
Ratings					
AAA	3.2	0.4	6.6	0.4	6.2
AA	22.7	11.9	22.6	10.9	11.7
A	29.3	42.2	30.8	43.3	-12.5
BBB	34.3	42.7	26.9	42.6	-15.6
<BBB	10.5	0.0	8.5	0.0	8.5
NR	0.0	2.8	4.7	2.9	1.8

*Bloomberg Barclays Canada Aggregate – Corporate Index

IV. Outlook

Economy & Markets Credit conditions have remained favourable for most industries given the economic recovery and continued easy financing conditions. However, amongst higher risk credits, cost pressures, loss of economic momentum, gradual withdrawal of fiscal stimulus, elevated leverage, and weakened debt structures leave yield spreads vulnerable to widening from post credit crisis lows. In the Canadian market, which is dominated by investment grade credits, leverage metrics are similarly elevated, but debt servicing metrics are healthy and refinancing risk is not a near-term threat, even for the lowest-rated issuers.

Yield Curve & Sector Given our forecast for the economic recovery to fall short of expectations, we expect the market to settle into a cautious reach for yield environment. Spreads for higher-levered and illiquid issues will widen, particularly for longer-term issues, as term premiums have increased. Unlike past "reach for yield" periods, we will see less momentum driven trade and greater differentiation of spread performance amongst lower-rated, higher-beta and illiquid credits, due to deteriorated credit metrics and the unlikelihood of additional monetary or fiscal stimulus. The portfolio has good liquidity and is well positioned to capitalize on relative value and yield enhancement opportunities.

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CIDEL GLOBAL EQUITY FUND

Q3 2021 as of September 30th

Cidel
Asset Management

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I. Market Overview

Global Equities consolidated their gains and were essentially flat in the third quarter of 2021 (though up slightly in Canadian dollar terms). Strong earnings performance (and more importantly, guidance) was able to overcome a rebound in COVID 19 cases brought about by the Delta variant. Vaccine roll outs accelerated in many key geographies in the MSCI World Index, including Canada, continental Europe, and Japan (each of these now have vaccination rates above those in the U.S. despite starting their inoculation campaigns months later). Bond yields declined through much of the quarter, before rising in the final couple of weeks of September.

II. Performance

The MSCI World Index returned 2.4% in Canadian dollar terms (but just 0.1% in U.S. dollar terms) in Q3 2021 during the quarter, and 12.7% year to date in Canadian dollar terms (or 13.4% in U.S. dollar terms). The Cidel Global Equity Pool returned •% during the quarter, and •% year to date (in Canadian dollar terms).

The Pool's relative performance this quarter was aided by security selection in Industrials and Consumer Discretionary stocks (and in particular Techtronic Industries, Relx plc and Shimano Inc.). Year to date relative performance has been hindered by security selection in Financials – largely driven by Peruvian bank Credicorp – and both the sector overweight and security selection in Consumer Staples.

Canadian Dollar	4 Year Annualized (%)	1 Year (%)	Year-To-Date (%)	3 Months (%)
Rate of Return				
Cidel Global Equity Fund	12.9	19.7	9.4	3.2
MSCI World Index - ND	13.1	22.2	12.4	2.3
Value Added/Detracted	**-22 bps**	**-250 bps**	**-296 bps**	**85 bps**
Standard Deviation				
Cidel Global Equity Fund	11.1	11.4	7.5	12.9
MSCI World Index - ND	12.2	12.4	8.9	14.3

U.S. Dollar	4 Year Annualized (%)	1 Year (%)	Year-To-Date (%)	3 Months (%)
Rate of Return				
Cidel Global Equity Fund	12.4	26.2	10.0	0.8
MSCI World Index - ND	12.7	28.8	13.0	0.0
Value Added/Detracted	**-26 bps**	**-265 bps**	**-300 bps**	**83 bps**
Standard Deviation				
Cidel Global Equity Fund	15.5	14.4	8.6	11.2
MSCI World Index - ND	16.4	14.9	9.0	12.6

III. Portfolio Activity and Characteristics

The Strategy made a number of new investments during the quarter:

- Japanese consumer discretionary stock Panasonic was added. We are optimistic that over the next few years Panasonic can evidence the sort of operational improvements and portfolio optimization that a handful of other Japanese companies – including long time holding Olympus Corporation – have evidenced in recent years. The conglomerate has some good assets, including batteries for electric vehicles and motors and sensors to enable industrial automation. We view the shares as being inexpensive, and as the company continues to prune is less profitable segments we expect the shares to react positively.

- Following the closing of the somewhat drawn out acquisition of peer Maxim, we have added America's Analog Devices Inc. ADI makes analog semiconductors for a wide range of industries including communications, automobiles, and general industry. We believe the combination of the two firms offers a better breadth of product offerings and good cross selling opportunities. Semiconductor supply remains quite tight and the demand picture remains robust, but even beyond present favourable industry conditions we see good long term demand for Analog's highly customized, long life analog semiconductors. These products typically convert physical phenomena (such as sound, temperature etc.) into electrical signals that in turn get processed into data. These semiconductors are necessary inputs in a host of industries

- We have added a position in iconic German sportswear brand Adidas. The athletic shoe and sportswear categories are amongst the most attractive in the consumer space, as they feature good pricing power, high volume growth and reasonably light capital requirements. Adidas is the number two firm behind industry leader Nike and the contrast between their respective

share price valuations is a good example of the better valuations on offer outside the U.S.. Nike is admittedly a somewhat better company, but the differences in organic growth and margins are quite small (the main difference is market share in the U.S. where Nike is multiples of Adidas). However, Nike's shares are significantly more expensive than those of Adidas despite their broadly similar performance.

The strategy sold one position outright during the quarter, Domino's Pizza Enterprises of Australia. The company has executed fantastically well, but with the share price having moved up over 50% year to date, the shares were trading well above our estimate of their value.

New Holdings	Increased Holdings	Decreased Holdings	Eliminated Holdings
Panasonic Corp	Cleanaway Waste Management	CVS Health Corp	Domino's Pizza Enterprises Ltd
Adidas AG	Vina Concha Y Toro	Olympus Coporation	
Analog Devices Inc	Techtronic Industries Co. Ltd	ConocoPhillips	
		Capgemini SE	
		Dassaut Systemes Se	
		Dollar General Corporation	
		CRH PLC	

Sectors	June 2021		September 2021		
	Portfolio (%)	Benchmark* (%)	Portfolio (%)	Benchmark* (%)	+/- (%)
Energy	3.2	3.2	2.7	3.2	-0.5
Materials	3.1	4.4	2.2	4.1	-2.0
Industrials	10.8	10.6	11.4	10.3	1.1
Consumer Discretionary	10.8	12.0	14.6	12.1	2.5
Consumer Staples	16.3	7.1	12.7	6.9	5.8
Health Care	20.4	12.5	19.3	12.6	6.7
Financials	9.0	13.6	9.6	13.7	-4.1
Information Technology	18.0	22.1	19.2	22.5	-3.3
Communication Services	2.9	9.1	2.8	9.1	-6.3
Utilities	5.6	2.7	5.6	2.7	2.9
Real Estate	0.0	2.7	0.0	2.7	-2.7

Region	June 2021		September 2021		
	Portfolio (%)	Benchmark* (%)	Portfolio (%)	Benchmark* (%)	+/- (%)
North America	47.3	69.6	49.3	69.6	-20.3
Europe	30.8	20.1	25.5	19.9	5.6
Asia	14.4	10.0	18.0	10.3	7.7
Emerging Markets	7.4	0.1	7.3	0.1	7.2

*MSCI World-ND

Key Ratios	June 2021		September 2021		
	Portfolio (%)	Benchmark (%)	Portfolio (%)	Benchmark (%)	+/- (%)
Dividend Yield (%)	1.8	1.7	1.8	1.7	0.1
Dividend Growth - 5 yrs (%)	8.3	7.6	8.2	7.5	0.7
Price / Earning Trailing (x)	27.1	33.6	24.0	25.8	-1.8
Price / Earning Forward (x)	20.9	20.3	19.7	19.0	0.7
Price / Book Value (x)	3.3	3.3	3.2	3.3	0.0
Price / Cash Flow (x)	16.4	16.1	15.2	14.5	0.7
Return On Equity - 1 yr (%)	18.9	22.7	18.9	21.1	-2.2
Beta	0.9	1.0	0.9	1.0	-0.1
Avg. Market Cap ($M USD)	216,890	369,780	218,640	386,740	-168,100

*MSCI World-ND

IV. Outlook

It's notable that several of the issues currently troubling investors have been present in the background for most of the year- supply chain problems, rising oil prices and so forth. The main difference is that they were previously dismissed as temporary in nature, while now it seems this might not be the case. This suggests current asset prices more fully reflect these pressures than was the case earlier this year, and any signs of relief (lower shipping costs, better semiconductor supply and so forth) will be well received. It's worth noting that a lot of companies we speak to seem to be struggling to meet demand, a better problem than coping with a sudden dearth of orders. That said, it remains to be seen how higher energy prices play out in terms of their durability and impact on growth.

In terms of the reason things are where they are currently, the current wave of covid infections appears to be dissipating, and a successful clinical result from the first orally administered antiviral seems to offer another tool to deal with the virus. As such the prospect of a more synchronised global recovery is worth bearing in mind. The current spikes in energy prices will hopefully catalyse investment in "green" energy sources; indeed the investment needs in the coming decades to meet zero carbon emission goals should introduce a new source of demand for the industrial side of the economy.

Overall the outlook seems constructive, with the immediate negatives somewhat discounted. While the broad market indices have done well, beneath the headline performance a lot of stocks seem to have been unduly punished for what are most likely temporary issues that are unlikely to be that detrimental to profitability. Generally the most interesting opportunities at the minute fall at the quality end of the spectrum, where we can have high confidence that the underlying value of the business will be considerable higher than the currently ascribed market value five or so years from now.

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CIDEL INTERNATIONAL EQUITY FUND

Q3 2021 as of September 30th

Cidel
Asset Management

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I. Market Overview

International equities made little aggregate progress over the quarter, with the EAFE benchmark returning -0.5% and 1.9% in US and Canadian dollar terms respectively. Protracted difficulties in supplying demand, higher energy prices and the ongoing uncertainty concerning the implications of the latest wave of covid infections proved a reality check to the more optimistic outlook that prevailed earlier in the year. These themes at work are illustrated by the returns by industry group - the best returning sector was Energy as the balance of supply and demand moved in the industry's favour. Information Technology outperformed also, as the sector's superior secular growth potential looked relatively more attractive in a suddenly less clear economic environment. Bringing up the rear was the Materials sector, where a financially teetering Chinese property developer called into question the demand outlook from a key consumer of copper and other metals. Utilities suffered, primarily as higher European energy costs were met with government measures to shield consumers from the brunt of the impact, leading to unexpected margin pressures. Regionally, the most noteworthy event was a late surge in the Japanese market, attributable to some combination of the resignation of the unpopular Prime Minister and progress in administering covid vaccinations.

II. Performance

The fund was modestly ahead of its benchmark for the quarter, returning 2.1% versus 1.9% for MSCI EAFE in Canadian dollar terms.

In terms of contribution to returns, the three best stocks were Shimano (continued robust demand for bicycles and hence gears), Redrow (the UK homebuilder offered evidence of strong demand for its suburban developments, with pricing offsetting higher input costs) and Panasonic (the company continues to boost margins at a faster rate than the market anticipated).

On the negative side, the three main laggards were Sandvik (concerns over this industrial company's ability to manage rising input costs), Taiwan Semiconductor (the shares pulled back following an extremely strong performance) and Sanofi (concerns over US drug pricing).

Canadian Dollar	4 Year Annualized (%)	1 Year (%)	Year-To-Date (%)	3 Months (%)
Rate of Return				
Cidel International Equity Fund	N/A	14.4	5.2	2.1
MSCI EAFE Index - ND	N/A	19.2	7.7	1.9
Value Added/Detracted		**-483 bps**	**-255 bps**	**24 bps**
Standard Deviation				
Cidel International Equity Fund	N/A	12.4	6.7	11.8
MSCI EAFE Index - ND	N/A	13.8	5.7	10.2

III. Portfolio Activity and Characteristics

The fund added three new holdings (Rentokil, Deutsche Boerse and Lloyds Bank) and eliminated one (KBC Bank) during the period:

Rentokil is a UK company providing pest control and commercial hygiene services internationally. Both are solidly profitable businesses, with little investment needs, consolidation opportunities and steadily growing demand. The hygiene segment in particular is one of the few business likely to see a lasting increase in demand as workers return to offices with new standards for sanitation. The company also has a strong track record of pricing power.

While most commonly associated with the German stock exchange, Deutsche Boerse provides a broad spectrum of services, most notably a venue for the trading and clearing of derivatives, and custody and settlement of securities transactions. The company does not engage in trading itself, rather facilitating transactions by member firms. As a result it is capable of generating high returns, and ongoing financial innovation will continue to create organic growth opportunities. The company has also expanded its product range through acquisitions in the past. As is often the case in Europe, the shares are meaningfully cheaper than its US counterparts.

Lloyds Bank is a fairly pedestrian UK high street bank, with a mostly domestic franchise and a revenue mix well positioned to benefit from higher interest rates. The UK banking market is quite concentrated, leading to less of an overcapacity issue than present in some European countries. The shares are at a significant discount to book value, a gap that will prove increasingly unwarranted as returns improve over the coming years.

KBC Bank was sold following a strong share price increase; the company's competitive strengths seem to be more than amply reflected in a material valuation premium to book value.

New Holdings	Increased Holdings	Decreased Holdings	Eliminated Holdings
Deutsche Boerse AG	Vina Concha Y Toro	AstraZeneca PLC	KBC Group
Lloyds Banking Group plc	Mahindra and Mahindra Ltd. Spon GDR	Koninklijke Philips NV	
Rentokil Initial PLC	Olympus Corporation		

Sectors	June 2021		September 2021		
	Portfolio (%)	Benchmark* (%)	Portfolio (%)	Benchmark* (%)	+/- (%)
Key Characteristics					
Energy	3.3	3.2	3.4	3.5	-0.1
Materials	3.6	7.9	3.3	7.3	-4.1
Industrials	21.8	15.5	25.0	15.8	9.2
Consumer Discretionary	13.5	13.0	14.2	12.7	1.4
Consumer Staples	16.4	10.5	13.9	10.2	3.7
Health Care	16.5	12.4	15.0	12.7	2.3
Financials	12.8	17.0	13.5	17.2	-3.7
Information Technology	9.3	9.1	9.4	9.6	-0.2
Communication Services	0.0	4.9	0.0	4.8	-4.8
Utilities	2.9	3.4	2.4	3.3	-0.9
Real Estate	0.0	3.0	0.0	2.9	-2.9

*MSCI EAFE-ND

Regions	June 2021		September 2021		
	Portfolio (%)	Benchmark* (%)	Portfolio (%)	Benchmark* (%)	+/- (%)
North America	0.0	0.7	0.0	0.7	-0.7
Europe	65.1	64.5	61.3	63.6	-2.3
Asia	26.8	34.4	30.3	35.3	-5.0
Emerging Markets	8.1	0.1	8.5	0.1	8.4

*MSCI EAFE-ND

Key Ratios	June 2021		September 2021		
	Portfolio (%)	Benchmark* (%)	Portfolio (%)	Benchmark* (%)	+/- (%)
Dividend Yield (%)	2.1	2.3	2.1	2.5	-0.4
Dividend Growth - 5 yrs (%)	6.0	4.5	4.4	4.6	-0.2
Price / Earning Trailing (x)	24.8	30.7	23.0	19.8	3.2
Price / Earning Forward (x)	18.9	16.6	17.4	15.4	2.0
Price / Book Value (x)	2.7	2.0	2.7	2.0	0.7
Price / Cash Flow (x)	13.0	11.1	11.7	10.0	1.7
Return On Equity - 1 yr (%)	14.0	11.7	13.9	12.7	1.2
Beta (5yr)	NA	NA	NA	NA	NA
Avg. Market Cap ($M CAD)	104,190	97,560	97,130	99,770	-2,640

*MSCI EAFE-ND

IV. Outlook

It's notable that several of the issues currently troubling investors have been present in the background for most of the year- supply chain problems, rising oil prices and so forth. The main difference is that they were previously dismissed as temporary in nature, while now it seems this might not be the case. This suggests current asset prices more fully reflect these pressures than was the case earlier this year, and any signs of relief (lower shipping costs, better semiconductor supply and so forth) will be well received. It's worth noting that a lot of companies we speak to seem to be struggling to meet demand, a better problem than coping with a sudden dearth of orders. That said, it remains to be seen how higher energy prices play out in terms of their durability and impact on growth.

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CIDEL MONEY MARKET FUND

Q3 2021 as of September 30th

Cidel
Asset Management

I. Overview & Performance

Lofty growth forecasts were paired back during the quarter due to supply disruptions and signs that inflationary pressures were weighing on consumer and business sentiment. Disappointing US employment numbers, regional delta variant outbreaks and an unexpected contraction in Q2 Canadian Real GDP (-1.1% annualized) added to concerns. The softer growth backdrop, political developments and August US CPI data, suggesting inflation pressures were peaking, resulted in benign September monetary policy decisions from both the Fed and the Bank of Canada. The Fed suggested that tapering asset purchases could end around the middle of next year, while being careful to give itself lots of latitude on the start date.

US Treasury and Government of Canada yields fell in July, traded in a narrow range through early September, rising to the end of the quarter – 5-year yields rose by 11 and 14 basis points, respectively. Both the US yield and Government of Canada short-term (1-5 yield curve) curve bear steepened with US short-term rates continuing to lag higher short-term Canadian rates. Investors have been anticipating more aggressive action from the Bank of Canada. US and Canadian overnight indexed swaps are pricing in one and two hikes in 2022, respectively.

Credit conditions remained favourable for provincial and investment grade corporate credit, but investors remained cautious, continuing to reach for yield but preferring short and mid-term issues. Provincial yield spreads benefitted from diminishing concerns over supply as provincial fiscal forecasts, which were initially based on very conservative assumptions, came in well above expectations. Domestic investment grade credit benefitted from positive corporate earnings, ratings upgrades and continued easy monetary policy. Volatility was more acute in the high yield market which saw periods of primary market disruptions. Overall, provincial and corporate short-term yield spreads tightened by 2 bps during the quarter and traded within narrow ranges.

Portfolio Activity

Activity in the fund focussed on funding liquidity demands from investors and replacing maturities with a focus on high quality liquid names.

Canadian Dollar	4 Year Annualized (%)	1 Year (%)	Year-To-Date (%)	3 Months (%)
Rate of Return				
Cidel Money Market Fund	1.13	0.11	0.07	0.03
T-Bill 91 Days	0.99	0.11	0.08	0.04
Value Added/Dectracted	**14 bps**	**0 bps**	**-1 bps**	**-1 bps**

II. Outlook

We expect economic data to remain volatile while the pandemic continues to infect the economy leading investors to act cautiously. We believe market pricing offers some opportunity for tactical positioning but expect yield curve moves to be relatively modest. It may take more time than investors think for inflation expectations to dissipate, thus placing some near-term upside risks to breakeven inflation rates and nominal yields. On the other hand, there is a risk that growth disappoints, leaving room for real yields to decline, despite already being at very low levels. Ultimately, we see near-term risk of higher nominal yields, with the potential for reversal further out.

Credit conditions have remained favourable for most industries given the economic recovery and continued easy financing conditions. However, cost pressures, loss of economic momentum, gradual withdrawal of fiscal stimulus, elevated leverage, and weakened debt structures amongst lower rated credits leave yield spreads of higher risk credits more vulnerable to widening from post credit crisis lows. In the domestic market, which is dominated by investment grade credits, leverage metrics are similarly elevated, but debt servicing metrics are healthy and refinancing risk is not a near-term threat, even for the lowest-rated issues.

Consistent with the potential for higher inflation expectations and recognising that investors are not being particularly well-rewarded for investing further out the yield curve, the portfolio is positioned with 3-months and shorter maturities. Note there is only 20 bps separating the 3-month treasury bill and the 1-year treasury bill. Focussing on liquidity and quality of the securities selected reduces exposure to rising yields once the Bank of Canada begins to raise rates and positions the portfolio to take advantage of higher yields.

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