

Fulcra Credit Opportunities Fund

Portfolio Commentary & Attribution
DECEMBER 31, 2025



Return *of* Capital > Return *on* Capital



COMMENTARY

Dear Investors,

The Fulcrum Credit Opportunities Fund (the “Fund”) returned 6.9% in 2025 (Class F, net of fees). While credit markets were broadly constructive in 2025, the Fund’s return, despite a duration at approximately 2 years, was largely a function of cash income generation and select event-driven investments.

Year-end commentaries are often useful for the “score card viewer”; we believe that it is equally important to reflect on what risks are being ignored and where the next set of opportunities may emerge. In credit investing, like investing in equities, the biggest mistakes aren’t typically made when investors feel afraid; they are usually made when investors feel safe.

Despite Trump’s tariff tantrum last April, spreads remained relatively tight and bond issuance stayed active for refinancings. It was an environment where investors were repeatedly reminded that “things are fine,” and the penalty for caution was underperformance.

When spreads are tight and markets are liquid, borrowers can refinance and roll maturing securities with ease. Defaults remain muted. This can be the point in the cycle when many investors can begin to become less discerning.

We do not believe the market is pricing in enough risk. When money is abundant, the difference between a good loan and a bad loan can appear trivial. However, when capital becomes meaningfully more expensive, the difference can become very real.

We would view this as a healthy development because mispricing is the source of opportunity. If everything is priced correctly, credit investing becomes a coupon-collection business.

In practice, better and differentiated return opportunities in credit can arise from forced selling, misunderstood complexity, temporary dislocations, corporate events and excessive pessimism. At the end of 2025, we would describe the credit market as closer to complacency than fear. When pricing is expensive, the most important ingredient for long-term success is not aggressiveness, but selectivity. This is why the Fund has maintained a structurally cautious posture: short duration, current yield, and an emphasis on securities with downside protection, rather than relying on continued market confidence.

We are not trying to predict a recession, a default cycle, or a market event. We are trying to build an investment portfolio that can withstand a wide range of outcomes, including those that the market is currently dismissing as unlikely.

One of the most persistent misconceptions about credit investing is that it is primarily about interest rates or the economy.

Those things still matter, but the long-term outcome in credit is far more dependent on asset value, maturity schedules, industry structure, and management behaviour.

The Fund’s differentiator is that we are prepared to own securities that are underfollowed or unpopular, if we understand the downside risks and that they are purchased at the right price.

WildBrain Entertainment, Inc. (“WildBrain”)

The Fund’s investment in the WildBrain private term loan is a good example of our idiosyncratic approach to credit investing. In 2017, WildBrain (then DHX Media Ltd.) purchased Peanuts Worldwide LLC, home of Charlie Brown and Snoopy. We viewed it as an under-monetized asset with lasting value.

The Fund has long been an investor in different bonds issued by WildBrain, and in early 2024, with a convertible bond maturity approaching, we welcomed the opportunity to participate in a global refinancing of this convertible and existing term loan. This simplified the company’s balance sheet by consolidating existing debt into a single term loan. Unlike most U.S. term loans, this loan was not broadly syndicated, and there is no daily third-party market price.



COMMENTARY

In late 2025, WildBrain announced the sale of its Peanuts interest to Sony. Equity investors debated whether the sale price was sufficient, but its value more than doubled over the nine-year ownership period. Furthermore, the company will continue to have a production and distribution arrangement with Sony going forward.

However, as credit investors, we care less about that debate and more about getting repaid. In this case, the sale proceeds are expected to be applied toward term loan repayment — the simplest and most direct form of credit improvement.

A term loan that is being paid down is very different from a term loan that is merely being extended.

Dye & Durham Limited

Dye & Durham provides software solutions and professional services in business law and real estate conveyancing. Unlike a private credit investment, the prices of the various parts of the company's capital structure have been highly volatile. Overall, Dye & Durham's investment sentiment has been challenging and not far from extremely negative.

This has kept the number of investors involved low and return expectations high. Investment returns could be plentiful for those able to pick securities in the right part of the capital structure. Dye & Durham has faced market skepticism due to high leverage levels, poor acquisition history, and public disagreements with various stakeholders.

The company's bond is coming due in March of this year, with cash in an escrow account exclusively dedicated to the bond's maturity, is perhaps the most certain but least rewarding of the opportunities that exist at writing. A trading halt of the company's stock since before the holidays due to their delayed filing of audited financials has left equity investors in a lurch. While the Fund has been able to buy the bond (at a discount) with a high level of return certainty, recent events have possibly made other, less "certain" parts of the company's capital structure a more certain, attractive winner.

2026 Onwards

When investors feel confident, future returns are pulled forward. Spreads compress. Refinancing becomes easy, and defaults remain low. This, however, tends to reduce the prospective return to credit investors.

This doesn't mean the market will fall. It means the market is priced for a world in which negative surprises are mild and/or unlikely. In our view, that's not a conservative enough assumption.

We aren't waiting for a crash. We are waiting for opportunities from forced sellers, broken deals, liquidity crunches, and a general realization that not all balance sheets are equally strong.

At the end of 2025, credit markets look calm. Calm is pleasant. Calm is comfortable. Calm encourages confidence. But in credit, comfort is not a signal that risk is low. It is often a signal that risk is underappreciated.

Our focus this upcoming year remains on investing in securities where downside can be understood and analyzed, the instrument is lender-friendly, and the price paid provides an adequate margin of safety.

Sincerely,

Fulcra Asset Management

¹ Class F units of the fund (net of fees)



Fulcrum Credit Opportunities Fund

AS OF DECEMBER 31, 2025

ATTRIBUTION

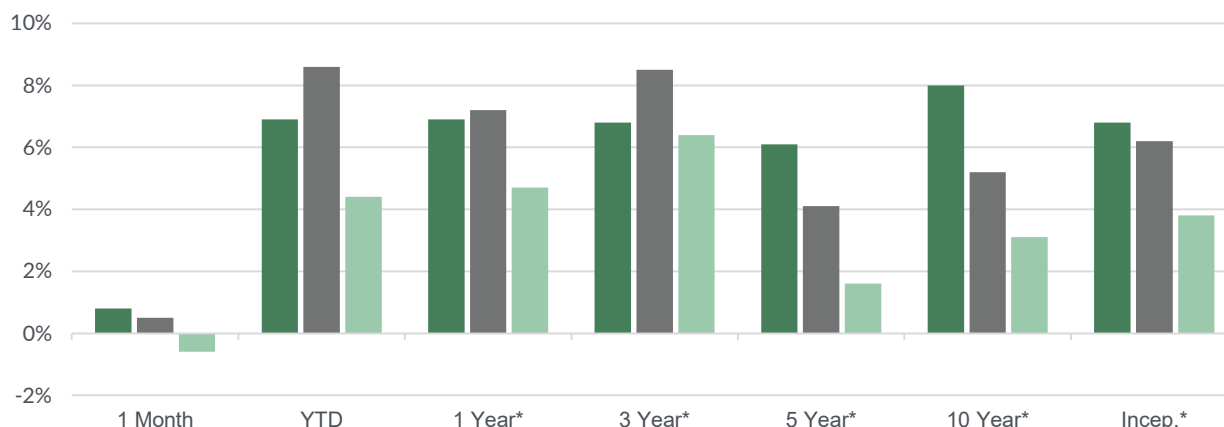
FUND PORTFOLIO CHARACTERISTICS

YTM (%)	9.8%
Current Yield (%)	7.4%
Distribution Yield	6.6%
12-M Distribution Yield	6.0%
Average Bond Price (\$)	\$93.36
Maturity (Yrs.)	2.8
Duration (Yrs.)	2.1

TOP 10 ISSUER LIST BY WEIGHTS

New Flyer Industries Inc	5.5%
Dye & Durham Limited	4.9%
Getty Images Inc	4.5%
Premium Brands Holdings Corp	4.0%
Optiva Inc	3.6%
Pyxus International Inc	3.0%
EG Global Finance PLC	2.8%
WildBrain Ltd	2.8%
WOLFSPEED INC	2.5%
Sherritt International Corp	2.4%

COMPOUND PERFORMANCE



	1 Month	YTD	1 Year*	3 Year*	5 Year*	10 Year*	Incep.*
FCOF	0.8%	6.9%	6.9%	6.8%	6.1%	8.0%	6.8%
HYG 1	0.5%	8.6%	7.2%	8.5%	4.1%	5.2%	6.2%
XCB 2	-0.6%	4.4%	4.7%	6.4%	1.6%	3.1%	3.8%

¹ iShares Iboxx HY Corporate Bond ETF

² iShares Core Canadian Corporate Bond Index ETF

* Annualized
Inception date June 30, 2009

RETURN CORRELATION MATRIX

	1	2	3	4	5	6
1 Fulcrum Credit Opportunities Fund (Class F)	1.00					
2 S&P 500 CAD (SPXHCD)	0.46	1.00				
3 S&P/TSX Capped Composite CAD (T00CAR)	0.58	0.82	1.00			
4 ICE BofA US High Yield Index USD (H0A0)	0.64	0.77	0.75	1.00		
5 ICE BofA US Corporate USD (C0A0)	0.39	0.48	0.51	0.70	1.00	
6 ICE BofA Canada Corporate CAD (F0C0)	0.35	0.33	0.40	0.52	0.83	1.00

Time Period: Since Common Inception - 09/30/2009

Source: Bloomberg LP



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The indices are used for broad market performance comparisons. The ICE BofA Canada Corporate Index is comprised of Canadian investment grade corporate bonds. The ICE BofA Canada High Yield Index is comprised of a basket of Canadian dollar issued high yield bonds. The ICE BofA US Corporate Index is comprised of US IG corporate bonds. The ICE BofA US High Yield Index is comprised of US High Yield bonds. The S&P 500 Index is comprised of a basket of US equities. The S&P/TSX Capped Composite is comprised of a basket of Canadian equities. The indices are presented on a total return basis.

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