

The FGP Short Term Bond Fund returned 0.87% in the quarter, compared with the FTSE Canada Short Term Overall Bond Index return of 0.65%. In 2024, the Fund returned 6.57%, compared with the benchmark's return of 5.70%.

As 2024 ended, the general trends in the broad economic environment remained more or less in place. Overall global growth remained in positive territory, continuing to be led by the resilient U.S. economy. And while the rate of change in global inflation slowed later in the year, the outright rate of inflation sat at a much lower level than what we witnessed through 2023 and early 2024.

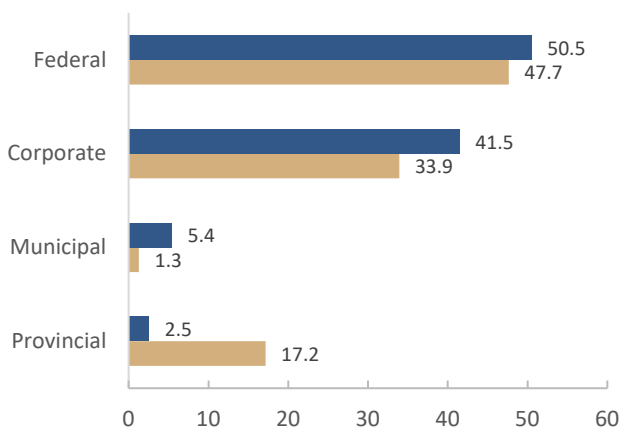
In Canada, the latest measure of annual total inflation fell back to 1.9%, which is pretty much right at the Bank of Canada's (the BoC) target for inflation. This decline allowed the BoC to reduce its policy interest rate by 1.75% in the second half of the year in an attempt to breathe some life into the Canadian economy. This was the largest reduction by any of the major global central banks in 2024.

Reacting mostly to the BoC's monetary policy changes, shorter-term yields – five years and under – dropped during the second half of the year. Since the duration position of this strategy is currently similar to that of the benchmark, interest rate moves had little overall impact on relative performance during the quarter.

Short-term Canadian corporate credit generated strong performance during the quarter as credit spreads tightened considerably. This spread performance, coupled with the additional yield offered by these corporate credit investments, supported all-in performance generation. Allocations to investments within these key return generating sectors, most notably an overweight position in our corporate credit strategies, drove positive contribution to relative performance for the portfolio during the quarter.

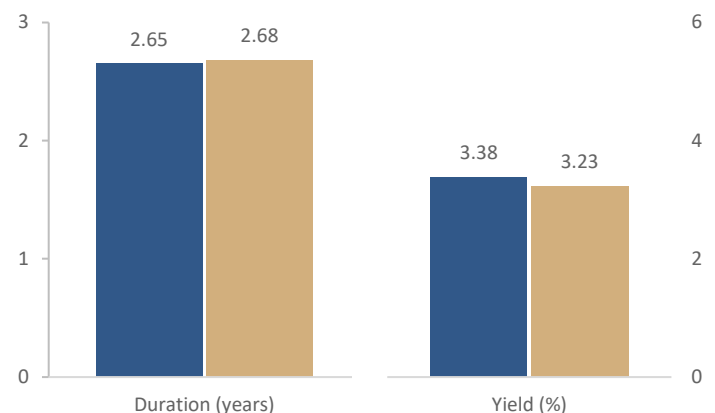
We remain constructive on Canadian fixed income and are seeing good opportunities present themselves for the diligent investor. We are prudently taking advantage of new opportunities at a measured pace as there is still much uncertainty in the economic landscape and the direction of interest rates across the curve. We remain focused on downside protection as we navigate this unique and volatile market where the risk tone of the market will likely remain driven by inflation, fears of a recession, and ongoing geopolitical news.

Sector Allocations (%)
(as at December 31, 2024)



Source for both graphs: PC Bond Analytics

Portfolio and Benchmark Characteristics
(as at December 31, 2024)



■ FGP Short Term Bond Fund ■ FTSE Canada Short Term Overall Bond Index

The Foyston, Gordon & Payne Inc. (FGP) performance figures and portfolio statistics shown in this report are for the FGP Pooled Funds. Client returns may vary due to cash flow timing and client-specific constraints.

Investment returns and assets under management are expressed in Canadian dollars unless otherwise noted. Investment returns are gross of investment management fees, net of fund expenses for FGP Pooled Funds, and include reinvestment of dividends and income. Returns are time weighted and annualized for periods greater than one year. Values change frequently and past investment performance may not be repeated.

These views are subject to change at any time based upon market or other conditions and are current as of December 31, 2024.

Forecasting represents predictions of market prices and/or volume patterns utilizing varying analytical data. It is not a guarantee of the performance of the stock market, or of any specific investment.

This material is not an offer, solicitation or recommendation to purchase any security. Nothing contained in this material is intended to constitute legal, tax, securities or investment advice, nor an opinion regarding the appropriateness of any investment, nor a solicitation of any type. Securities mentioned herein are not to be construed as recommendations to buy or sell and may not be representative of FGP accounts/portfolios as a whole.

The general information contained in this publication should not be acted upon without obtaining specific legal, tax and investment advice from a licensed professional. The information, analysis and opinions expressed herein are for general information only and are not intended to provide specific advice or recommendations for any individual entity.

While the information included in this Commentary is obtained from sources that FGP believes to be reliable, we do not guarantee its accuracy, and the information may be incomplete or condensed.

S&P/TSX Index Data Source: TSX Copyright (2025) TSX Inc. All Rights Reserved.

PC Bond is Copyright © by FTSE Global Debt Capital Markets Inc. All rights reserved. The information contained herein may not be redistributed, sold, modified or used to create any derivative work without the prior written consent of FTSE Global Debt Capital Markets Inc.