

# Annual Management Report of Fund Performance

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**ADDENDA INCOME FOCUS FUND**

December 31, 2024

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the investment fund. You can get a copy of the annual financial statements of the fund, at your request, and at no cost, by calling toll-free 1 866 908-3488, by writing to us at 800 René-Lévesque Blvd. West, Suite 2800, Montréal, Québec H3B 1X9, by visiting our website at [addendacapital.com](http://addendacapital.com), by visiting SEDAR+ at [sedarplus.ca](http://sedarplus.ca) or by contacting your advisor. You may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

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

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

# Addenda Income Focus Fund

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## Management Discussion of Fund Performance

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### Investment Objective and Strategies

The Addenda Income Focus Fund's (the "Fund") investment objective is to provide income while focusing on capital preservation and providing some potential for capital growth by investing primarily in a mix of domestic and foreign fixed income-oriented securities and to a lesser extent, domestic and foreign equity securities through a sustainable investment approach. Such investments may be made by the Fund either directly or indirectly through investments in other mutual funds, including ETFs.

To achieve the Fund's investment objective, the Manager uses strategic asset allocation as the principal investment strategy. The Fund has a target weighting of 65-95% in Fixed Income and Money Market, and a target weighting of 5-35% in Equity.

In addition, when selecting the majority of securities in which the Fund invests, the Manager will integrate environmental, social and governance (ESG) matters along with active stewardship, which covers engagement with issuers and proxy voting.

### Risk

There were no significant changes to the investment objectives or strategies that affected the Fund's overall level of risk during the period. There were no changes to the Fund's risk rating during the reporting period. This Fund remains suitable for investors who are seeking a combination of current income and some long term growth and who have a low tolerance for risk.

### Results of Operations

The Addenda Income Focus Fund (Series A) returned 6.67% for the year ending December 31, 2024, while the benchmark index, composed of 70% FTSE Canada Universe Bond Index, 10% Bloomberg US High Yield 2% Issuer Capped Index (C\$ hedged), 10% S&P/TSX Composite Index, 5% S&P 500, and 5% MSCI EAFE Net (CAD), posted an 8.16% return.

The Fund underperformed the benchmark due to weak relative performance from US equities, international equities and Canadian equities. Asset allocation was a positive source of added value as the Fund was overweight equities and correspondingly underweight fixed income allocations. Unlike the benchmark, the Fund's performance is calculated after fees and expenses. Please refer to the "Past Performance" section for the returns by series, which may vary because of differences in management fees and expenses.

At the end of December 2024, the Fund was underweight in its Canadian fixed income component. It also held allocations to global and high yield securities to capture additional yield. The Fund is overweight the equity component overall relative to the benchmark, with the largest overweight in US equities followed by Canadian equities and a close to neutral allocation to international equities.

The fixed income allocation provided significant positive added value versus its reference index for 2024. An overweight in corporate bonds and security selection were the main contributors to this contribution, as the fixed income strategy maintained a duration position close to its benchmark. The Fund selectively participated in new issuance in the sustainable bond category that offered attractive valuations, adding exposure to the First Nations Financing Authority, various provincial green bonds, and several renewable power and utility issues.

## Recent Developments

The Federal Reserve (Fed) continued to ease its monetary policy by cutting the target range for its policy rate by 25 basis points (bps) in November and December. The Bank of Canada (BoC) was more aggressive, lowering its policy rate by 50 bps twice. The policy rate closed the quarter at 3.25%. Driven by strong economic data and the Republican victory in the US elections, bond yields followed an upward trend started at the beginning of the quarter. However, the rise in Canadian rates was held back in December by a higher unemployment rate and the announcement of a 25% tariff on Canadian exports to the United States.

The fund will maintain an overweight exposure to Canadian and US equities offset by a below benchmark allocation to fixed income overall. An underweight allocation to cash and fixed income will be maintained due to our higher forecast for equity market returns. Earnings expectations should remain steady as the year progresses in 2025, which support corporate credit and equity performance. We remain overweight in US equities based on our positive economic outlook and in Canadian equities due to more attractive valuations.

## Related Party Transactions

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

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

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

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

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

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

# Addenda Income Focus Fund

As at December 31, 2024, CFSL held 10,321,879 Fund securities for a value of \$108,504,625, which represented 98.36% of the net asset value of the Fund at that date.

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

## Financial Highlights

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

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

	December 31 2024 \$	December 31 2023 \$	December 31 2022* \$
Series A			
<b>Net Assets, beginning of period</b>	<b>9.37</b>	<b>9.20</b>	<b>—</b>
<b>Increase (decrease) from operations:</b>			
Total revenue	0.33	0.33	0.32
Total expenses	(0.15)	(0.14)	(0.01)
Realized gains (losses) for the period	0.13	(0.12)	(0.33)
Unrealized gains (losses) for the period	0.48	0.91	(2.72)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>0.79</b>	<b>0.98</b>	<b>(2.74)</b>
<b>Distributions:</b>			
From income (excluding dividends)	(0.16)	(0.33)	(0.07)
From dividends	—	(0.11)	(0.03)
From capital gains	—	—	—
Return of capital	—	—	—
<b>Total Distributions<sup>(3)</sup></b>	<b>(0.16)</b>	<b>(0.44)</b>	<b>(0.10)</b>
<b>Net Assets, end of period</b>	<b>9.84</b>	<b>9.37</b>	<b>9.20</b>

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

	December 31 2024 \$	December 31 2023 \$	December 31 2022* \$
Series F			
<b>Net Assets, beginning of period</b>	<b>10.03</b>	<b>9.52</b>	<b>—</b>
<b>Increase (decrease) from operations:</b>			
Total revenue	0.34	0.32	0.24
Total expenses	(0.09)	(0.09)	(0.07)
Realized gains (losses) for the period	0.05	(0.15)	(0.26)
Unrealized gains (losses) for the period	0.44	0.67	(0.60)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>0.74</b>	<b>0.75</b>	<b>(0.69)</b>
<b>Distributions:</b>			
From income (excluding dividends)	(0.22)	(0.21)	(0.12)
From dividends	(0.03)	(0.03)	(0.04)
From capital gains	—	—	—
Return of capital	—	—	—
<b>Total Distributions<sup>(3)</sup></b>	<b>(0.25)</b>	<b>(0.24)</b>	<b>(0.16)</b>
<b>Net Assets, end of period</b>	<b>10.51</b>	<b>10.03</b>	<b>9.52</b>

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

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

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

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

# Addenda Income Focus Fund

## Ratios and Supplemental Data

Series A	December 31 2024	December 31 2023	December 31 2022*
Total Net Asset Value ('000s of \$) <sup>(1)</sup>	1,804	183	2
Number of Units Outstanding <sup>(1)</sup>	183,430	19,561	264
Management Expense Ratio (%) <sup>(2)</sup>	1.52	1.46	0.07
Management Expense Ratio before waivers or absorptions (%)	1.52	1.46	0.07
Trading Expense Ratio (%) <sup>(3)</sup>	0.02	0.02	0.06
Portfolio Turnover Rate (%) <sup>(4)</sup>	71.61	54.79	66.62
Net Asset Value per Unit (\$)	9.84	9.37	9.20

## Ratios and Supplemental Data

Series F	December 31 2024	December 31 2023	December 31 2022*
Total Net Asset Value ('000s of \$) <sup>(1)</sup>	108,504	100,950	93,497
Number of Units Outstanding <sup>(1)</sup>	10,321,880	10,067,546	9,819,275
Management Expense Ratio (%) <sup>(2)</sup>	0.83	0.82	0.80
Management Expense Ratio before waivers or absorptions (%)	0.83	0.82	0.80
Trading Expense Ratio (%) <sup>(3)</sup>	0.02	0.02	0.06
Portfolio Turnover Rate (%) <sup>(4)</sup>	71.61	54.79	66.62
Net Asset Value per Unit (\$)	10.51	10.03	9.52

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

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

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

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

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

## Management Fees

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

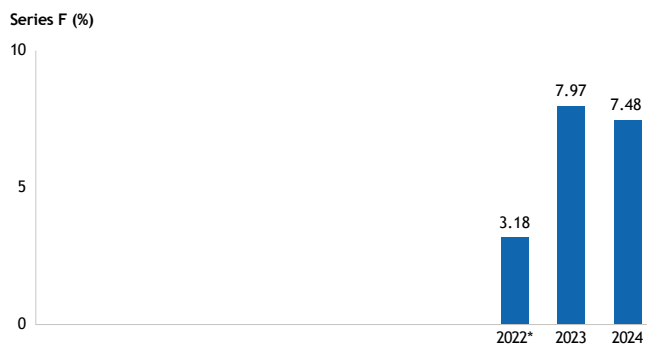
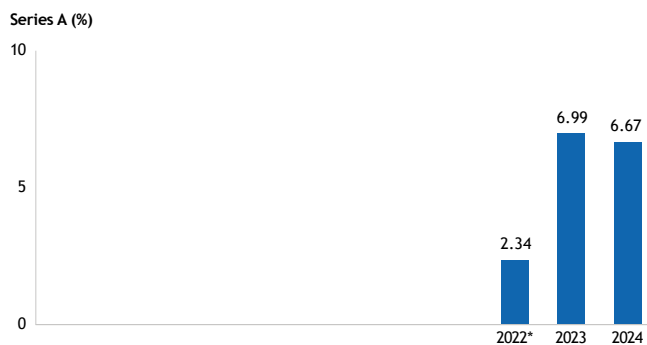
	Management Fee (%)	Breakdown of Services	
		Investment Advisory and Other Fees (%)	Trailer Fee (%)
Series A	1.20	41.67	58.33
Series F	0.50	100.00	N/A

## Past Performance

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

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

## Annual Performance (%)



\* Beginning of operations on March 28, 2022.

These graphs present the annual performance of each series of the Fund for each fiscal year shown and illustrate the evolution of each series of the Fund from one year to the next. These

# Addenda Income Focus Fund

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

## Annual Compound Returns (%)

	1 year	3 years	5 years	10 years*
Series A	6.67	N/A	N/A	2.18
Benchmark index	8.16	N/A	N/A	4.07
Series F	7.48	N/A	N/A	2.98
Benchmark index	8.16	N/A	N/A	4.07

\*Or since inception.

## Benchmark Index

Addenda Income Focus Fund benchmark composed of 70% FTSE Canada Universe Bond Index, 10% Bloomberg US High Yield 2% Issuer Capped Index (C\$ hedged), 10% S&P/TSX Composite Index, 5% S&P 500, and 5% MSCI EAFE Net (CAD).

## Comparison with the Index

A discussion of the Fund's relative performance in comparison to the index (or indices) can be found in the *Results of Operations* Section of this report

## Summary of Investment Portfolio

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

## Top 25 Investments

As at December 31, 2024

Security	% of net asset value
1. NEI Global High Yield Bond Fund, Series 1	4.9
2. Province of Ontario, Series G77, 2.650%, 2025-02-05	4.8
3. NEI Global Impact Bond Fund, Series 1	4.7
4. Hydro-Québec, Series 20, 6.000%, 2040-02-15	4.5
5. Government of Canada, 3.500%, 2034-03-01	4.0
6. Hydro-Québec, Series JQ, 4.000%, 2055-02-15	3.5
7. Canada Housing Trust No. 1, 3.550%, 2032-09-15	3.5
8. Lower Mattagami Energy L.P., Series 21-1, 2.433%, 2031-05-14	2.1
9. Ontario Power Generation Inc., Series 7, 3.215%, 2030-04-08	2.0
10. Province of Ontario, Series DMTN251, 1.550%, 2029-11-01	1.7
11. Fédération des caisses Desjardins du Québec, 5.475% 2028-08-16	1.7
12. Government of Canada, 3.250%, 2034-12-01	1.7
13. Province of Ontario, Series DMTN257, 4.050%, 2032-02-02	1.7
14. Algonquin Power Co., Series 5, 4.600%, 2029-01-29	1.5
15. Ivanhoe Cambridge II Inc., Series 3, 4.994%, 2028-06-02	1.4
16. Province of Ontario, 4.100%, 2054-10-07	1.3
17. Province of British Columbia, Series BCCD-35, 2.800% 2048-06-18	1.2
18. Inter-American Development Bank, 4.600%, 2029-03-01	1.2
19. Brookfield Renewable Partners ULC, Series 11, 4.250% 2029-01-15	1.0
20. Hospital For Sick Children, Series B, 3.416%, 2057-12-07	0.9
21. Province of Ontario, Series DMTN244, 1.850%, 2027-02-01	0.9
22. Brookfield Corp., Class A	0.9
23. University of Toronto, Series B, 5.841%, 2043-12-15	0.9
24. Broadcom Inc.	0.9
25. Ontario Power Generation Inc., Series 3, 4.248%, 2049-01-18	0.9
<b>Total % of Top 25 Investments</b>	<b>53.8</b>

## Asset Mix (%)

As at December 31, 2024

