

CHATTER FROM THE INSTITUTIONAL DESK

DYNAMIC AURION FIXED INCOME

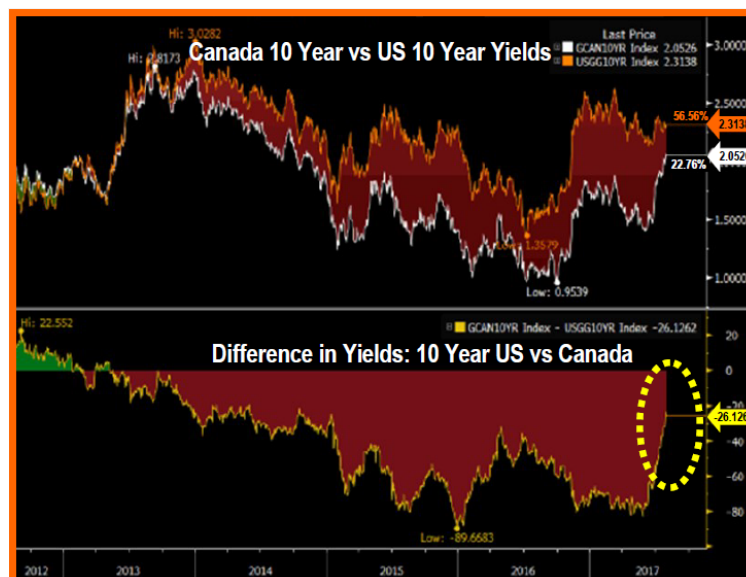
August 2017

Dynamic Aurion Total Return Bond Fund / Dynamic Tactical Bond Private Pool

After abruptly signaling a shift in monetary policy last month, the Bank of Canada delivered the first rate hike in 7 years this month, and also maintained a tightening bias. The selloff in the Canadian bond market continued, as markets moved quickly to price in a follow up hike. The Canadian dollar was the key beneficiary of the rate hike, and has rallied almost 8% vs the USD in the last 2 months. The Canadian bond market was the worst performing bond market over the past 2 months, with the broad universe index down 3% over that time.

The fund has been biased with a shorter duration than the index and a preference for US bonds over Canadian bonds for the past several months, and this has helped the fund outperform during the selloff in Canada. We fully hedged our USD exposure, which protected the fund from the violent currency moves. In the last 2 months, Canadian bond yields have underperformed US yields by almost 60 bps: an astonishing amount in so short a period of time. We showed the chart below a few months ago, highlighting the attractive entry point in US bonds. Updated again, this chart highlights how quickly that has reversed.

As the second rate hike by the Bank of Canada is now fully discounted by the market, and the strengthening of the Canadian dollar should create a tightening impact on the Canadian economy, we will reduce our US exposure and move back into Canadian bonds. Our US corporate exposure has been eliminated, which is reflected in our lower overall corporate weight. We will look to redeploy the proceeds back in the Canadian market over the next month.



Allocation (%) • as of 07/31/2017						
Asset Class	Dynamic Aurion Total Return Bond Fund		Monthly Change	Dynamic Tactical Bond Private Pool		Monthly Change
Cash & FRNs	10.5		-6.2	4.4		-9.9
Federal Government Bonds	12.7		+1.1	19.1		+2.6
Provincial Government Bonds	13.5		+3.2	13.0		+3.8
RRBs & U.S. TIPS	0.0		-	0.0		-
Canadian Corporate Bonds	25.6		+7.7	24.4		+5.4
Foreign Bonds & Debentures	37.2		-5.3	38.6		-1.5
High Yield Bonds (Foreign/Cdn)	0.6	0.0	-0.4	0.7	0.0	-0.2

Duration (Years)	6.0	+0.4	6.0	+0.6
Yield (%)	2.7	-	2.6	-
Foreign (%)	37.8	+1.2	39.3	+0.2

Compounded Returns (%) • as of 07/31/2017									
	1mth	3mth	6mth	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
Dynamic Aurion Total Return Bond Fund									
Series A	(0.6)	(0.4)	1.7	1.1	(1.7)	2.8	2.4	n/a	3.0
Series F	(0.6)	(0.2)	2.3	1.7	(0.7)	3.8	3.3	n/a	3.9
Inception date: August 31, 2010									
Dynamic Tactical Bond Private Pool									
Series F	(0.4)	(0.2)	2.0	1.5	(0.9)	n/a	n/a	n/a	2.1
Inception date: March 9, 2015									

dynamic.ca

Series A units of the Fund are available for purchase to all investors, while Series F units are only available to investors in an eligible fee-based or wrap program with their dealer. Series A units are available for purchase to all investors, while Series F units are only available to investors who participate in eligible fee-based or wrap programs with their registered dealers. Differences in performance between these series are primarily due to differences in management fees and fixed administration fees. Performance results for Series F units may also appear higher than for Series A units as the management fee does not include the trailing commission. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The indicated rates of return are the historical annual compound total returns including changes in unit values and reinvestment of all distributions does not take into account sales, redemption or option changes or income taxes payable by any security holder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. Views expressed regarding a particular company, security, industry or market sector are the views of the writer and should not be considered an indication of trading intent of any investment funds managed by 1832 Asset Management L.P. These views should not be considered investment advice nor should they be considered a recommendation to buy or sell.

Dynamic Funds® is a registered trademark of its owner, used under license, and a division of 1832 Asset Management L.P.