Business Owners Lending to Businesses®

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This is an image of a Santa Maria replica, one of Christopher Columbus' ships, located in the West Edmonton Mall. The mall is owned and operated by West Edmonton Mall Property Inc., one of the credit holdings in the EdgePoint Portfolios. Formerly the world's largest indoor shopping centre, the West Edmonton Mall has a mix of retail and entertainment venues including a hotel, waterpark, ice skating rink and theme park. Brick and mortar stores suffered during the COVID lockdowns, resulting in negative market sentiment towards retail real estate businesses. As the second-most visited mall in Canada, we believe investors are overlooking the quality, scale and diversified revenue of the business.

As at June 30, 2026, West Edmonton Mall Property Inc. securities were held in EdgePoint Global Growth & Income Portfolio, EdgePoint Canadian Growth & Income Portfolio and EdgePoint Monthly Income Portfolio. They are not representative of the entire portfolio, nor is it a guarantee of future performance. EdgePoint Investment Group Inc. may be buying or selling positions in the above securities. Past performance is not indicative of future results.

Photo credit
Jeff Whyte – stock.adobe.com

Q2 2026 Credit commentary

TIGHTER CREDIT SPREADS, SAME UNDERWRITING DISCIPLINE
By Tracey Chen

People outside of credit investing often view credit spreads as an economic barometer. When spreads are as narrow as they are today, people take comfort in the belief that there's little risk in the market because default rates are low and refinancing is readily available. But for a fixed income manager, you're often standing at a crossroads:

1. Keep your underwriting standards unchanged, regardless of spreads
2. Reach for yield by moving down the quality spectrum.

Choosing the first option can be painful. As spreads shrink, so do your opportunity set, portfolio yield and future return potential if nothing else changes. This is especially difficult when the market continues to reward investors for reaching for yield as spreads grind tighter. Yet by maintaining the same underwriting standards, you preserve the credit quality of your portfolio and the flexibility to act when the environment changes.

The second option is tempting. Reaching for yield can generate higher returns when the economy looks healthy, corporate balance sheets appear strong and nothing seems to be going wrong. The question those bond managers might be unprepared to answer is whether those credit portfolios are sturdy enough to handle an inevitable credit market shift.

Longtime investors in EdgePoint credit won't be surprised that we've chosen the first path. That's not to say there aren't any opportunities – there are always pockets of volatility that we're taking advantage of. We continue to find overlooked securities that we believe offer attractive yields without compromising our underwriting standards. Despite index spreads grinding steadily tighter, the average credit rating of the bonds held in EdgePoint credit portfolios has remained remarkably consistent:

Average EdgePoint Portfolio credit rating by quarter
Mar. 2023 to Jun. 2026

Portfolio	Mar. 2023	Jun. 2023	Sep. 2023	Dec. 2023	Mar. 2024	Jun. 2024	Sep. 2024	Dec. 2024	Mar. 2025	Jun. 2025	Sep. 2025	Dec. 2025	Mar. 2026	Jun. 2026
EdgePoint Global Growth & Income Portfolio	BBB	BBB	BBB	A	A	A	A	A	A	A	A	A	A	A
EdgePoint Canadian Growth & Income Portfolio	BBB	BBB	BBB	A	A	A	A	A	A	A	A	A	A	A
EdgePoint Monthly Income Portfolio	A	A	A	A	A	A	A	A	A	A	A	A	A	A

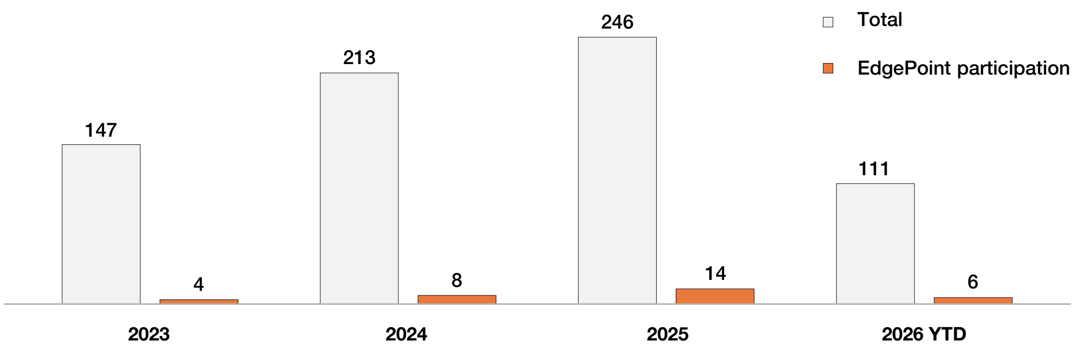
Source, credit ratings: Bloomberg LP. As at June 30, 2026.

While ratings aren't how we assess a business' creditworthiness, they're useful for illustrative purposes. This raises the question – how do we know we're being disciplined rather than simply stubborn?

The truth is that there isn't a real-time scoreboard. After more than three years of tightening credit spreads, patience rarely looks intelligent. In fact, it often seems like a mistake. Portfolios that reach for yield by moving down the capital structure, investing in lower-quality issuers or accepting weaker covenant protection have generally outperformed in the short term. By contrast, portfolios that maintain consistent underwriting standards can appear to be leaving returns on the table because they deliberately pass on opportunities that don't adequately compensate for the risks involved.

The Canadian new issue market provides a good example of how we stick to our investment approach. Since the beginning of 2023, there have been 717 new issues, yet EdgePoint participated in only 32 of them:

Canadian debt issues – total vs. EdgePoint participation
Jan. 2023 to Jun. 2026



Source, issues: Scotiabank Global Banking and Markets, “2025 Year in Review & 2026 Outlook – Canadian Corporate Bond Market”.

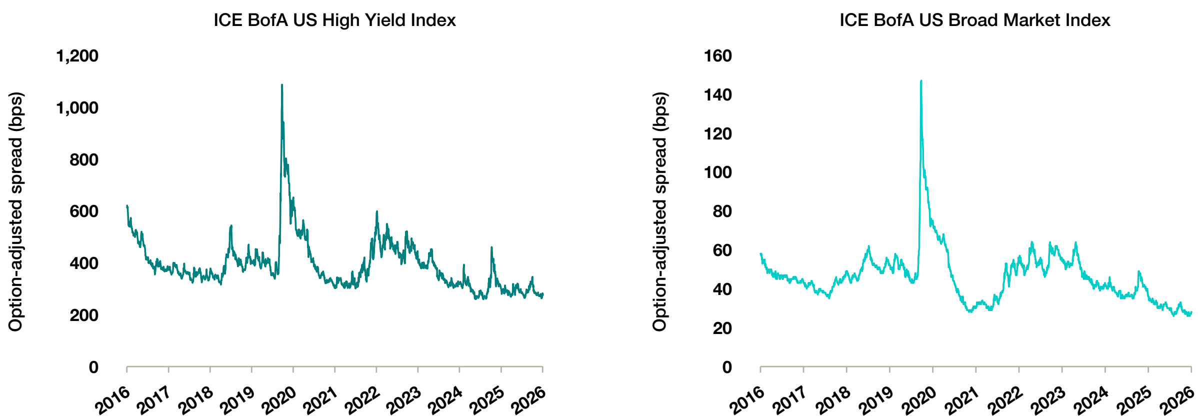
While our fixed income returns have remained competitive even in this environment, the real difference between these two approaches is rarely evident during calm periods. It’s often revealed when market conditions change – a pattern we’ve witnessed repeatedly over past credit cycles. Although I don’t have a crystal ball to tell you when that change will come, I can tell you that we’re mindful of it while we’re investing today.

The cushion’s getting thinner

In fixed income, spread is the cushion you have for bearing credit risk. For the same credit risk, you always want to be compensated by a wider credit spread. The wider the spread, the more room there is for things to go wrong. As spreads tighten, that margin of safety narrows.

Today, that cushion is becoming increasingly thin. As the charts below show, both U.S. high-yield and investment-grade spreads are trading at decade lows.

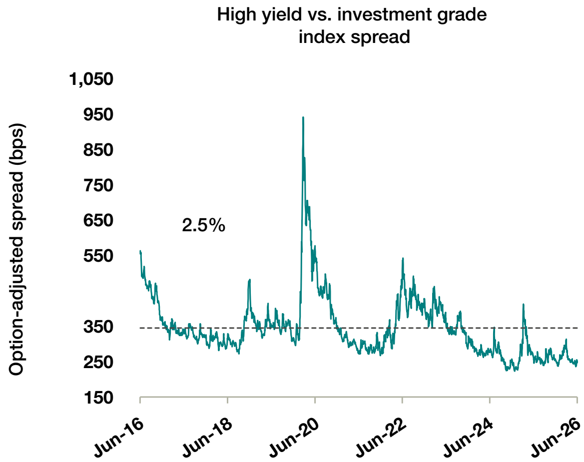
High yield & investment grade option-adjusted spreads
Jun. 30, 2016 to Jun. 30, 2026

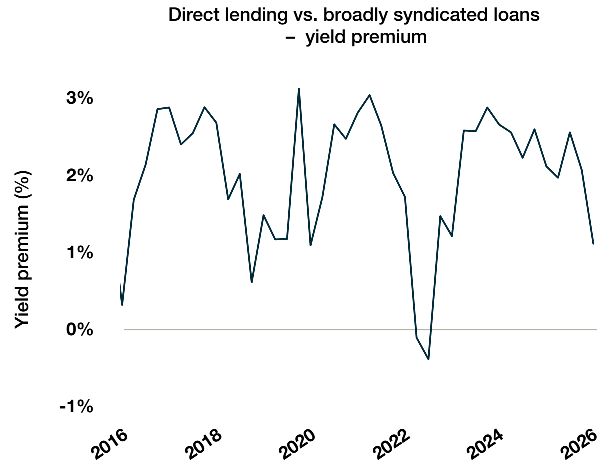


Source: FactSet Research Systems Inc. As at June 30, 2026. See *Important information – Option-adjusted spreads* for additional details.

At the same time, the spread premium between high-yield and investment-grade bonds, as well as the premium between broadly syndicated loans and private credit, has also compressed to historically tight levels.

High yield vs. investment grade spread & direct lending vs. broadly syndicated loan yield premium
2016 to 2026





Source, index spread: FactSet Research Systems Inc. Source, yield premium: BofA Global Research, *Loan Chartbook June 2006*, July 1, 2026. As at June 30, 2026. See *Important information – Option-adjusted spreads* and *Important information – yield premium* for additional details.

In other words, investors who put money to work in a way that looks like an index receive progressively less incremental compensation for taking on additional credit risk.

To us, lowering underwriting standards simply because the market offers less compensation is like a mountaineer relaxing their safety checks because the weather's clear. The mountain hasn't become any safer, nor have the credit markets. A cycle turn *will* come, but the time to prepare for it is before it happens. When it arrives, it's often too late to rebuild your margin of safety again.

This isn't a macroeconomic forecast – we aren't suggesting the economy is getting riskier or that businesses have become weaker. Investors today are accepting less compensation for lending to weaker businesses. When spreads are wide, you don't need perfection to earn attractive returns. But when spreads are tight, you need almost everything to go right. The probability of default may not have changed much, but the consequences of getting the credit wrong have become much greater.

Holding the line

So, how have we maintained our discipline (or what some may still call stubbornness)? It doesn't simply mean buying higher-rated bonds. It means applying the same underwriting standards and asking the same questions irrespective of spreads.

Thorough credit work is often least appreciated when markets are strong. When refinancing is abundant, defaults are low and spreads continue to tighten, almost every credit investment enjoys a tailwind. In those environments, it's difficult to distinguish between good underwriting and good luck. But as spreads compress and the cushion becomes thinner, we believe that security selection and rigorous credit analysis can truly shine.

Rather than stretching for yield, we remain focused on what we can control – the quality of the credit. We'd rather generate excess returns by better understanding businesses than by simply taking more credit risk. That means refusing to compromise on the characteristics that ultimately determine whether we get our money back – business quality, cash flow resiliency, asset coverage, structural seniority and covenant protection.

The investments we've added to the credit portfolio over the past three years reflect that consistency. While each investment has its own unique story, they share several common characteristics. First, each opportunity was driven by company-specific circumstances rather than broad-market enthusiasm. Second, each offered strong downside protection, whether through business moat, resilient cash flows, valuable asset coverage, disciplined capital allocation, a senior position in the capital structure or structural protections that we believed the market was underappreciating. We didn't lower our standards to make these investments. We found opportunities that met them. Below are some of the issuers whose debt we've purchased over that time:

Business	Why the opportunity existed	What we believe protects us
Research database manager	AI disruption fears for the software sector	First-lien security and resilient free cash flow
Litigation financing	Company-specific risk	The quality of the legal asset that can turn into resilient cash flows in the future
I.T. infrastructure software	AI disruption fears for the software sector	Mission-critical products and resilient free cash flow
Building products *JELD-WEN*	Cyclical industry downturn	Dominant market position through the cycle, well positioned to benefit when the cycle turns
Shopping mall *West Edmonton Mall*	Negative sentiment towards retail real estate after COVID	High-quality asset in an underserved market
U.S. homebuilder *Adams Homes*	Interest rate fears created housing pessimism	Structural housing shortage, conservative leverage and disciplined land position
Television broadcasting *Gray Media*	Advertising downturn	Resilient cash flow and deleveraging
Oil & gas *Tenaz Energy*	Orphaned Canadian listed company	Disciplined capital allocation. Opportunistic buyer from forced seller

As at June 30, 2026. Only companies with securities held in an EdgePoint Portfolio for at least six months were disclosed. Insights on the above companies are based on internal analysis by the EdgePoint Investment Team. They are solely to illustrate the application of the EdgePoint investment approach and not intended as investment advice. The companies are not representative of the entire portfolio, nor are the insights a guarantee of future performance. EdgePoint Investment Group Inc. may be buying or selling positions in the above securities. See *Important information – portfolio holdings* for additional details.

The kung fu of investing

Those who know me know that I'm an avid tea drinker and my favorite remains Kung Fu Tea. Outside of China, the word "kung fu" is often associated with martial arts. But its original meaning is much broader, referring to the time, patience and discipline required to master a craft. That's why Kung Fu Tea bears its name – not only because it takes time but because every step is deliberate and unhurried. The quality of the tea comes from consistently applying the same care and attention to detail.

Credit investing is much the same. We can't control spreads, when markets will reprice risk or when patience will be rewarded. What we can control is the consistency of our process, the quality of our underwriting and the discipline to maintain our standards regardless of market conditions.

Important information – Option-adjusted spreads

Option-Adjusted Spread (OAS) – a measure of the difference between the yield of a benchmark index and a risk-free rate. It's a measure of the risk premium that an investor demands for holding a bond with embedded options, taking into account the potential impact of those options on the bond's cash flow. The risk-free rate uses U.S. Treasury yields. The indexes are not investible.

ICE BofA US High Yield Index (high yield spread) – an index that tracks the performance of high yield corporate debt denominated in U.S. dollars and publicly issued in the U.S. domestic market.

ICE BofA Canada Broad Market Index (investment grade spread) – an index that tracks the performance of publicly traded investment-grade debt denominated in U.S. dollars and issued in the U.S. domestic market.

Important information – yield premium

Direct lending – a private corporate loan issued by a non-bank lender directly to a company.

Broadly syndicated loan – a corporate loan initially sold by banks and purchased by institutional investors that are usually traded publicly after issuance.

Important information – Portfolio holdings

As at June 30, 2026: JELD-WEN Holding, Inc., Adams Homes Inc., Gray Media, Inc. and Tenaz Energy Corp. and West Edmonton Mall Property Inc. securities were held in EdgePoint Global Growth & Income Portfolio, EdgePoint Canadian Growth & Income Portfolio and EdgePoint Monthly Income Portfolio.

Commissions, trailing commissions, management fees and expenses may all be associated with mutual fund investments. Please read the prospectus and Fund Facts before investing. Copies are available from your financial advisor or at www.edgepointwealth.com. Unless otherwise indicated, rates of return for periods greater than one year are historical annual compound total returns net of fees including changes in unit value and reinvestment of all distributions, and do not take into account any sales, redemption, distribution or optional charges, or income taxes payable by any securityholder, which would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. This is not an offer to purchase. Mutual funds can only be purchased through a registered dealer and are available only in those jurisdictions where they may be lawfully offered for sale. This document is not intended to provide legal, accounting, tax or specific investment advice. Information contained in this document was obtained from sources believed to be reliable; however, EdgePoint does not assume any responsibility for losses, whether direct, special or consequential, that arise out of the use of this information. Portfolio holdings are subject to change. EdgePoint mutual funds are managed by EdgePoint Investment Group Inc., a related party of EdgePoint Wealth Management Inc. EdgePoint® and Business Owners Lending to Businesses® are registered trademarks of EdgePoint Investment Group Inc.

Published July 21, 2026.