



*Business Owners Lending to Businesses®*

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*This is a photo of a display case of Hanes tank top and t-shirt packages in a New York City department store. Hanes is one of several clothing lines owned by HanesBrands Inc., a former credit holding in the EdgePoint Portfolios. We originally researched the company when we were analyzing competitors for another long-term EdgePoint holding, Gildan Activewear Inc. While Gildan was invested in its manufacturing business HanesBrands spent its capital on marketing and endorsements. HanesBrands historically had a weak balance sheet compared to Gildan until it sold its Champion brand in 2024 to de-lever. Despite this, we did not see an opportunity to invest in the bonds until tariff fears in late March/early April 2025 caused a significant decline in its bond prices over an eight-day period. Our prior industry due diligence gave us the view that the company would not be significantly impacted by the tariffs and allowed us to take advantage during the small window before the bond price rebounded. The bonds were called at a premium in December 2025 when it was announced that HanesBrands was being acquired by Gildan.*

As at March 31, 2026: HanesBrands Inc. securities are no longer held in any EdgePoint Portfolios, but they. HanesBrands Inc. were previously held in Global Growth & Income Portfolio, EdgePoint Canadian Growth & Income Portfolio, EdgePoint Monthly Income Portfolio and EdgePoint Opportunistic Credit Portfolio; Gildan Activewear Inc. securities were held in EdgePoint Canadian Portfolio, EdgePoint Global Growth & Income Portfolio, EdgePoint Canadian Growth & Income Portfolio and EdgePoint Monthly Income Portfolio. Information on the above securities is solely to illustrate the application of the EdgePoint investment approach and not intended as investment advice. It is 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.

*Photo credit*

John Hanson Pye / Adobe Stock



# Q1 2026 credit commentary

## POUNDING THE ROCK

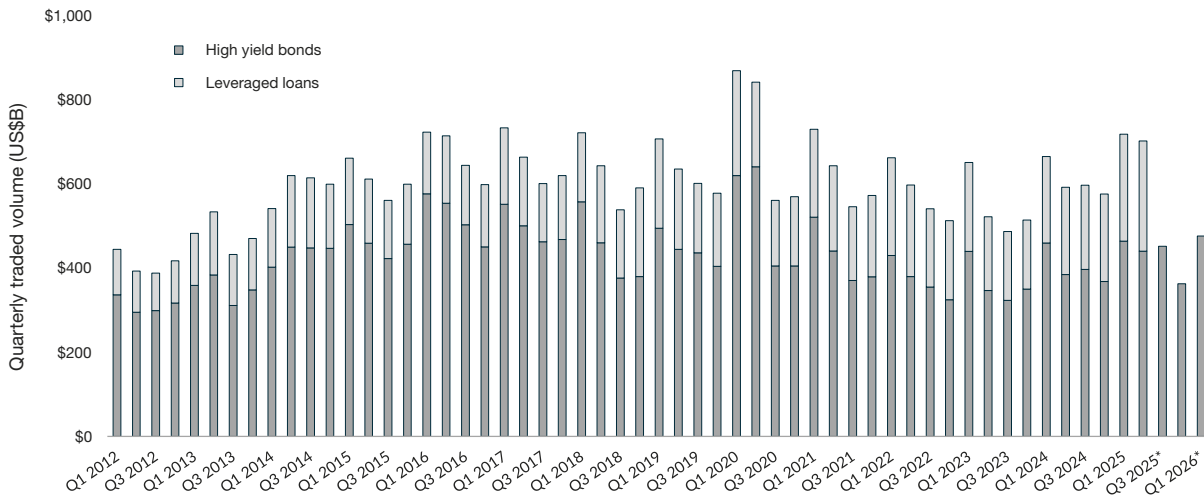
By Steven Lo

We have spoken a lot in the past about how well-suited our approach is during periods of volatility (two examples [here](#) and [here](#)). During these times, fear grips the market and sellers feel the pressure to act due to a mix of panic, the need for liquidity to manage outflows or simply doubting the value of what they own. That’s where opportunistic bargain hunters like the EdgePoint Investment Team are happy to take advantage of what’s unexpectedly available. In our credit Portfolios, some of the investments that have resulted in outsized returns were made during these periods of volatility. After a period of relative calm, the Investment Team is taking advantage of opportunities now that volatility has finally returned.

It’s only been a few months into 2026, but the fears that have been percolating over the past year have ultimately found their way into credit markets. Concerns over AI’s disruptive potential, prolonged conflicts in the Middle East, the inflationary impact of energy price shocks and private credit market turmoil have brought bouts of turbulence in an otherwise calm public credit market since Liberation Day.<sup>1</sup>

So, how should an investor take advantage of volatility? Well first and foremost, we need to ensure that the asset class we invest in is liquid. What is the use of volatility if assets don’t trade when things get turbulent? Thankfully, the public high yield credit market which consists of high yield bonds and leveraged loans is very liquid and has billions of dollars of bonds and loans trading hands each day.

**High yield bond & leveraged loans – quarterly traded volume (US\$)**  
Jan. 2012 to Mar. 2026 (high yield)/Jun. 2025 (leveraged loans)



\* Leveraged loan data unavailable for June 30, 2025 to March 31, 2026

Source, high yield bonds: Bloomberg LP. Source, leverage loans: State Street Investment Management, “Unlocking opportunity in the leveraged loan market”, ssga.com. All figures in US\$. High yield volumes are the FINRA TRACE Market Breadth High Yield Bond Dollar Volume Index, which consists of all U.S. high yield (rated BBB- or lower) corporate bonds and agency debentures. Leveraged loan volumes are the Morningstar LSTA Leveraged Loan Index, a market-value weighted index that seeks to track the performance of the U.S. leveraged loan market. The indexes are not investible.

This means that when volatility hits the broader market, a specific industry or even a single business, we can quickly capitalize on any credit on our watchlist at now more attractive yields and add them to our Portfolios. Consider us *opportunistic credit* investors.

As we were all reminded last April during Liberation Day, bouts of volatility can be short-lived. We never know ahead of time if a volatile environment will last for months or just a few trading days. Our view is that the best way to take advantage of volatility is to be prepared for it.



A misconception about our approach is that because we take advantage of volatility, we're only busy during these times. The majority of people outside of the Investment Team only see the output of our work – the securities held in our Portfolios. The truth is that, irrespective of the state of the market, we spend most of our time looking for and researching businesses that we can lend money to or buy. A company can spend decades on one of our watchlists before we buy one of its securities. The work we do before they're added to Portfolios allows us to pre-determine a yield or price that we believe we're being compensated for the risk we take to buy the bond or equity. There's an old saying, *"Luck is what happens when preparation meets opportunity."* We don't wait around for luck in our Portfolios, we're constantly preparing for when opportunities inevitably arrive.

## The Stonecutter's Credo

Another way to look at our approach comes from the sports world. Gregg Popovich is the all-time winningest coach in NBA history. From 1997 until his retirement in 2025, Popovich amassed a 1,390-824 record with the San Antonio Spurs, including winning five championships between 1999 and 2014. He established a winning culture in San Antonio under his "Pound the Rock" philosophy. The following quote from 19th century journalist Jacob Riis is posted on a wall in the Spurs practice facility:

*"When nothing seems to help, I go look at a stonecutter hammering away at his rock perhaps a hundred times without as much as a crack showing in it. Yet at the hundred and first blow it will split in two, and I know it was not that blow that did it, but all that had gone before."*

– Jacob Riis

Popovich's philosophy was that championships weren't won or lost during singular plays or moments in a game, but in the countless hours spent behind the scenes in the practice facility, weight room and video room honing their craft and game planning. He emphasized the importance of building daily habits and working persistently even when results weren't immediately apparent.

When it comes to investing, stories about pulling the trigger on a great trade on a volatile day are like the highlight reels from a game. They're exciting, but long-term returns are built in the seemingly less-exciting hours behind the scenes – reading company filings, attending conferences, meeting management teams, conducting expert calls and building financial models.

Often, while conducting research on a company, we will determine that the idea is not investable after completing countless hours (and sometimes weeks) of work on the business. Other times, the diligence process for a potential investment can feel like it's leading nowhere due to an unattractive offer price in the market. The process of building out a watch list can feel tedious, but it's all in preparation for moments when opportunities arise. Unlike the NBA playoffs, we don't have a schedule in our business – there's no pre-released timeline of when we'll get a volatile moment in the market when we can capitalize on all the completed diligence. In these moments, we must remind ourselves to continue to pound the rock and be patient.

## Chipping away

Perimeter Solutions, Inc. is a business we are currently lending to across our Portfolios that exemplifies this process.<sup>ii</sup> I first learned of this business in 2020 as I was preparing a report on a business called TransDigm Group Inc. TransDigm is one of the largest issuers in the high yield market and built its business through acquiring proprietary aftermarket aerospace parts suppliers. The business grew under the leadership of founder Nick Howley who identified the market for aircraft repairs as a highly attractive area to invest.

Aircraft components are mission-critical to the operators, with the stakes of a failure being extremely high. This makes supplier relationships very sticky as the risk of switching is prohibitive. Additionally, the cost of any singular aircraft part is very small relative to an airline's entire maintenance cost, which in turn is a small portion of the overall operating expenses of a carrier. This created a long runway for pricing power for the suppliers of mission-critical parts to these airlines.

I came away very impressed with the quality of the business after studying everything that Howley had built. Ultimately, we passed on investing in the bonds as I assessed them as fairly priced. Another tidbit that I had learned while preparing this report was that Nick Howley, Will Thorndike (founder of Housatonic Partners and author of *The Outsiders*) and Tracy Britt Cool (former Berkshire Hathaway executive) had partnered to form an investment vehicle named EverArc Holdings Ltd. to target acquiring a business with the following characteristics:

- Recurring and predictable revenue streams
- Long-term secular growth tailwinds
- Products or services that account for critical but small portions of larger value streams
- Significant free cash flow generation with high returns on tangible capital
- In industries with potential for opportunistic consolidation.



In other words, they were looking to acquire a business with many of the same characteristics that Howley had built with TransDigm. I filed this information away, unaware at the time that this would lead to any actionable investment in the Portfolios.

The following year in 2021, EverArc announced the acquisition of Perimeter Solutions. The headline caught my interest as I continued to follow the investment story. Perimeter is a manufacturer of a specialty chemical used in aerial fire retardants. This is the pink liquid that we see being dropped by airplanes over wildfires. The business supplied 90% of the air tanker bases in North America.<sup>iii</sup> The cost of Perimeter’s proprietary PHOS-CHEK aerial fire retardant is low relative to the overall cost of fighting fires.

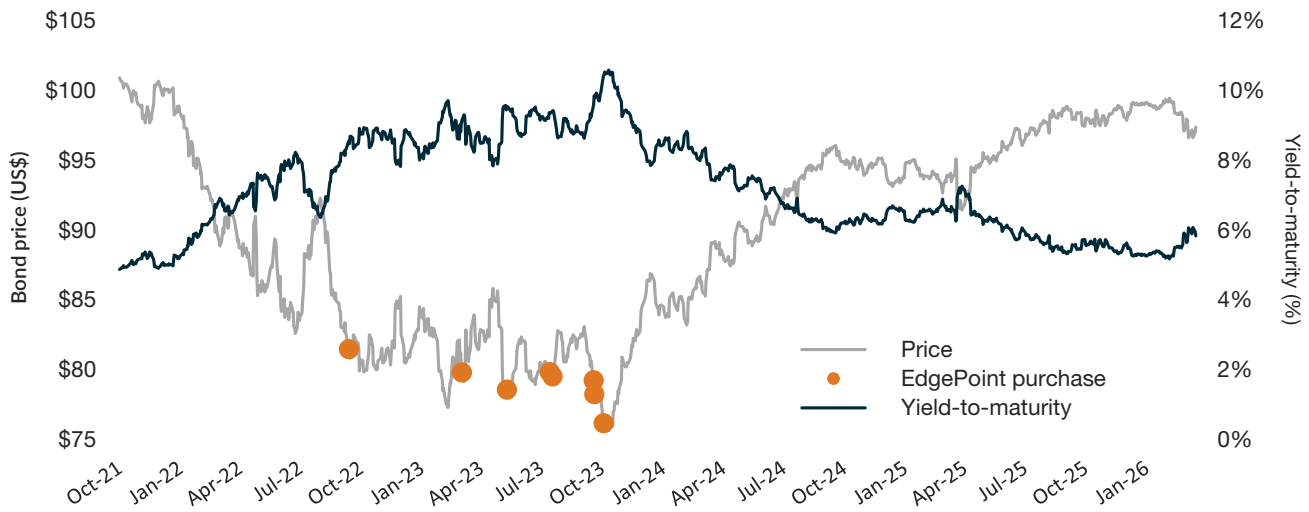
Firefighting departments and government agencies needed a scaled supplier who could provide a sufficient volume of fire retardant and deliver it within a short period of time. More importantly, they needed to ensure that the chemicals used to fight fires wouldn’t corrode or damage the aircrafts or tankers storing them. PHOS-CHEK’s stability and non-corrosive structure meant that it was difficult for competitors to win contracts against the market leader.

In October 2021, Perimeter issued bonds at a 5% yield. Although the diligence we had done made the company worthy of sitting on our watchlist, we did not view the yield attractive enough for our Portfolios. Again, I filed this information away and turned my attention to other businesses at the time.

In 2022, we saw some volatility hit the business. Wildfires are exposed to cycles in weather but not necessarily cycles in the economy. Drier winters can lead to more intense fire seasons, and more precipitation can slow fire seasons. These cycles can be multi-year, however there were secular tailwinds to retardant volumes as well. More homes and insurable structures have been built over the past few decades in areas which were previously considered wildland. These areas would have historically seen wildfires naturally burn out but now would require aerial firefighting services to save lives and protect property. After a few years of brutal wildfires in California in 2020 and 2021, we had a much wetter season in 2022.<sup>iv</sup> Earnings came in lower than the market was expecting, and the bond prices declined. Additionally, a new competitor had arrived and was marketing a competing solution that threatened to dent Perimeter’s dominant market position. We had a different view than the market – we believed that despite two slow fire seasons, management had taken the necessary steps to lower its cost structure, and a normalized fire season would result in earnings power even better than before.

We initiated a position in our Portfolios at a yield of about 8.5% and continued to wait. Once we buy a bond, we hope for additional volatility to cause the price to drop so we can continue to buy more. If nothing fundamentally changes that impairs the business’ ability to repay us as lenders, we’re happy to buy more bonds at a higher yield. Volatility from fears around inflation in 2023 gave us opportunities to continue to increase our weight. We invested at an average of ~9.5% yield on a bond that had been originally issued at a 5% yield just a few quarters previously.

Perimeter Solutions Inc., 5%, due 2029/30/29 – bond price (US\$) vs. yield-to-maturity  
Nov. 2, 2021 to Mar. 31, 2026



Source: Bloomberg LP. As at March 31, 2026. In US\$. EdgePoint purchases are for EdgePoint Monthly Income Portfolio, EdgePoint Global Growth & Income Portfolio and EdgePoint Canadian Growth & Income Portfolio. Past performance is no guarantee of future results. Yield-to-maturity is the total return anticipated on a bond if it’s held until it matures and coupon payments are reinvested at the yield-to-maturity. Yield-to-maturity is expressed as an annual rate of return.



Ultimately, wildfires did eventually return. Management was also able to expand and find new customers such as fire departments in Western Canada who have unfortunately had to deal with elevated levels of wildfires over the past few years. The competitor that the market was fretting about ended up having a product that was corrosive to air tanks and discontinued supplying federal agencies. This resulted in elevated earnings for Perimeter – improving its ability to repay us as lenders to the business.

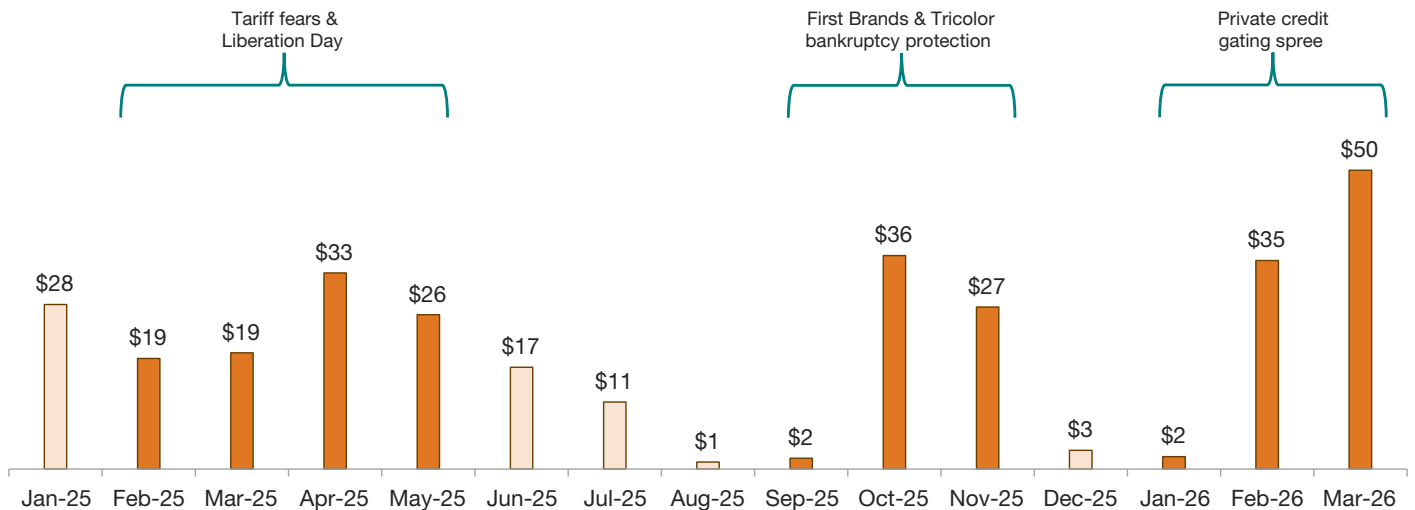
Our investment in Perimeter has generated internal rates of return of 13.4% in EdgePoint Monthly Income Portfolio and ~14.5% in both EdgePoint Growth & Income Portfolios, pleasing returns for our end investors so far. This was a return where the seeds were planted through a research report for a completely different company in a different industry written two years prior to our initial investment in the company. While an outsider may look at this and say we were simply lucky that the market got volatile and we were able to buy this bond at market lows, we know that there were countless hours spent preparing for this opportunity. Pounding the rock behind the scenes paid off years later for our investors.

### Rock collection

Our skillset has never been in making macro predictions. When volatility inevitably occurs, we won't know how long it will last. What we can do is keep maintaining and refining our watchlists so that we can take advantage of volatility when it does come. This isn't just talk. The last 15 months have had several events that allowed us to capitalize on what we believe are undervalued high yield securities:

**EdgePoint Global Growth & Income Portfolio – monthly high yield bond purchases (C\$M)**

Jan. 2025 to Mar. 2026



Total purchases in C\$ and excludes equities, short-term securities, cash & equivalents and investment grade bonds. Months were assigned based on initial trade date for a transaction. Tariff fears & Liberation Day – concerns around U.S. tariff threats and the April 2, 2025 (Liberation Day) announcement made by U.S. President Donald Trump promising broad tariffs on countries with whom the U.S. had a trade deficit. First Brands & Tricolor – two companies that relied on private credit for financing that declared bankruptcy in September 2025 that caused concerns in the private debt market. Private debt gating spree – several private debt funds “gated” their funds (stopped unitholder withdrawals).

\* Internal rate of return (IRR) is money-weighted return that accounts for the timing and magnitude of cash flows into an investment and represents an investment's actual return. The EdgePoint IRR, in local currency, is for Perimeter Solutions Inc., 5%, due 2029/10/30 held in EdgePoint Monthly Income Portfolio, EdgePoint Global Growth & Income Portfolio and EdgePoint Canadian Growth & Income Portfolio. Past performance is not indicative of future returns.

Annualized total returns, net of fees (excluding advisory fees), in C\$. As at March 31, 2026.

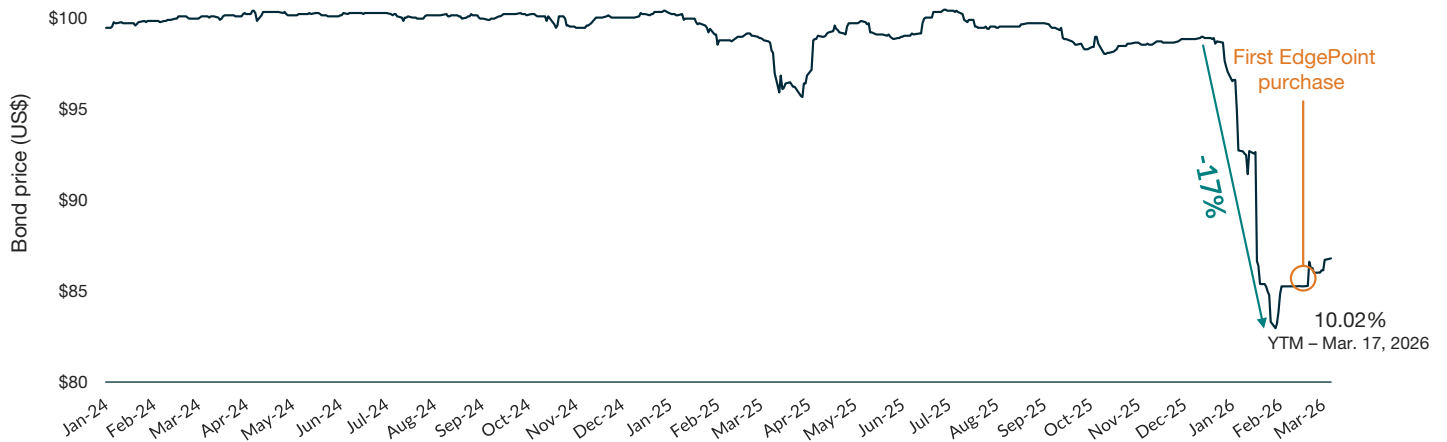
EdgePoint Global Growth & Income Portfolio, Series F – Since inception (Nov. 17, 2008): 11.13%, 15-year: 9.60%, 10-year: 8.21%, 5-year: 7.35%, 3-year: 9.60%, 1-year: 9.82%, YTD: -0.06%. EdgePoint Canadian Growth & Income Portfolio, Series F – Since inception (Nov. 17, 2008): 11.56%, 15-year: 9.31%, 10-year: 10.71%, 5-year: 12.89%, 3-year: 13.36%, 1-year: 13.10%, YTD: -0.24%. EdgePoint Monthly Income Portfolio, Series F – Since inception (Nov. 2, 2021): 1.92%, 3-year: 3.97%, 1-year: 1.55%, YTD: 0.03%. Series F is available to investors in a fee-based/advisory fee arrangement and doesn't require EdgePoint to incur distribution costs in the form of trailing commissions to dealers. Periods greater than one year are annualized.



Recently, we initiated a position in a research database business that's long been on our watchlist. This is a business where I first attended a presentation by the CFO at an equity conference in 2023. The loans of this business weren't being offered at an interesting yield at the time, but we continued to monitor the company. As volatility hit the market and concerns around AI disrupting the business clouded investors' views, we were able to initiate a position in the loans at over a 10% yield. We believe that the business's core products are stickier than the market appreciates and will continue to generate significant free cash flow to de-lever as it integrates AI features into its offerings. Time will tell if our idea on this business plays out like our experience with Perimeter, but we're excited to be in an environment where we can translate years of work studying businesses into ideas in the Portfolios.

### Research database company – Price chart (US\$)

Jan. 2024 to Mar. 2026



Source: Bloomberg LP. Price return in US\$. Past performance is no guarantee of future results. Yield-to-maturity is the total return anticipated on a bond if it's held until it matures and coupon payments are reinvested at the yield-to-maturity. Yield-to-maturity is expressed as an annual rate of return.

### Bringing down the hammer

Today, the market is full of questions for investors. Will there continue to be conflicts overseas disrupting trade flows and commodity movement? Will AI continue to advance and disrupt businesses that markets previously believed had impervious moats? Will the capex race to build compute for AI ultimately lead to overbuild and poor returns in a race to the bottom? Will there be more implosions in the private credit markets leading to a flood of issuers returning to public markets in search for financing?

I won't pretend to have a crystal ball and predict what will lead to volatility in credit markets in the future. What I can guarantee is that we at EdgePoint will continue pounding the rock and preparing to take advantage of whatever opportunities that ultimately arise.



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<sup>i</sup> Liberation Day (April 2, 2025) was the date U.S. President Donald Trump announced broad tariffs on countries with whom the U.S. had a trade deficit

<sup>ii</sup> As at March 31, 2026, Perimeter Solutions, Inc. securities were held in EdgePoint Global Growth & Income Portfolio, EdgePoint Canadian Growth & Income Portfolio and EdgePoint Monthly Income Portfolio. Information on the above company's securities is solely to illustrate the application of the EdgePoint investment approach and not intended as investment advice. It is 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.

<sup>iii</sup> Source: Perimeter Solutions Inc.

<sup>iv</sup> Source, wildfires: State of California OEHHA, "Wildfires". Source, rainfall: State of OEHHA, "Precipitation".

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](http://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 Lending to Businesses® are registered trademarks of EdgePoint Investment Group Inc.