

# Active Insights Podcast with Red Cedar Investment Management – “With more tools, it gives you potentially more ways in which to outperform the market.”

**Diane Merritt:**

Welcome to North Square Investments Active Insights podcast. North Square Investments is dedicated to bringing differentiated active investment strategies to financial advisors and investors through our multi-boutique asset management platform.

Today, Mark Goodwin, Chief Executive Officer of North Square Investments, will discuss the actively managed income strategy of Red Cedar Investment Management with Managing Partner and Chief Executive Officer John Cassady and Partner Brandon Bajema. John and Brandon are Co-Chief Investment Officers of Red Cedar. Red Cedar is a partner firm in the North Square platform and sub-advisor to North Square's Strategic Income Fund, symbol ADVNX.

Mark, John, and Brandon, we look forward to your discussion.

**Mark Goodwin:**

Thanks, Diane. As you mentioned, at North Square, we seek out best-in-class active managers for our platform, and our partners at Red Cedar are well-positioned to help income-oriented investors address the challenges presented by the current environment. First, John and Brandon, welcome.

**John Cassady:**

Thanks, Mark. It's great to be back here again.

**Brandon Bajema:**

Looking forward to it, Mark.

**Mark Goodwin:**

Let's start by looking at some of the key issues in the current market environment. The conflict in Iran has caused volatility across markets in general. How do you see this impacting markets in the near term? And do you believe there are likely to be longer-term effects?

**John Cassady:**

Yes, so it's a conflict. It's not a war, though. We're calling it a conflict or special military operation. I'm not sure which language we should be using. But kind of the punchline of it is though, like no one knows. And this has far-reaching implications into what is the end result of all this? And I think the answer is that no one knows right now. And we can make educated thoughts and guesses about it. But yes, even if this ends relatively soon, which I mean, that's open for debate, but even if it did, I still think there's long-ranging implications from the investment perspective as to what this might cause. And I

think, number one, I think there's the possibility energy is the biggest thing that people will immediately glom onto when thinking about what could happen. You look at the price of oil; you look at the price of natural gas and some of the destruction that has gone on in some of the energy infrastructure over in Qatar. And then a couple of natural gas terminals; liquid natural gas terminals have been taken out over there. So, if you look at the price of natural gas, in Europe, where they depend on that as an energy source for heating and for some manufacturing, it's up like 60, 70% year to date. So, I think from an inflationary perspective, it definitely has an impact on oil prices, of course. And then there's supply chain issues that we experienced in COVID due to the closure of the Strait of Hormuz. And one of those things has to do with the price of fertilizer and the ingredients in fertilizer like urea, where much of the world's supply comes out of the Middle East, because it's close to natural gas, and that's 70 to 80% of the input cost for fertilizer. So, if you think about it historically, when fertilizer prices go up, food prices go up globally. So once again, I'm just thinking about inflation here to just cut to the chase.

**Brandon Bajema:**

Oh, absolutely. And in addition to what John mentioned, there's some very, very large, on the financial side of this, there's some extremely large sovereign wealth funds in that region. It's going to be very interesting to know, once we know how this concludes, what are they going to do, right? Are they going to be continuing to accumulate large dollar surpluses like they have in the past, investing those in US dollar assets? And are they not going to have those large surpluses and or are they not going to invest those large surpluses in dollar-denominated assets, right? Think about Qatar, Kuwait, Saudi, UAE, they all have, in some cases, multiple, extremely large pools of capital. And it's going to be very interesting to see what kind of moves those institutions are going to be making in not just the near term, but the longer term. And then you just think about like the whole petrodollar, the whole monetary system that we've been talking about, right? The petrodollar system was founded on all of the countries in that region selling their oil in U.S. dollars for protection from the United States, essentially. And this war, you can go a lot of different directions from where we're at now. But one of them could end up being that oil is not sold in dollars anymore, which is going to have enormous implications if that's the case.

**John Cassady:**

But in fact, I think there's talk about that whoever's controlling the Strait currently, the IRGC, if they're letting things go through that are, if it's oil bound for India or China, or maybe it's oil that is priced not in dollars, so it's priced in renminbi and they're allowing that to flow through.

**Brandon Bajema:**

They explicitly stated that they would let oil going through that's being priced in yuan as opposed to US dollars. So, I don't think they're going to be able to keep that up for long, but it's in the cards.

**John Cassady:**

Yes.

**Brandon Bajema:**

Something to watch for, sure.

**John Cassady:**

So, if I get back down to it, I just think inflationary, I'd venture to say maybe perhaps a stagflationary scenario. Core PCE in the US, which is the Fed's favorite measure, that recently printed at 3.1%, I believe that January is the most recent print, or was it February? But be that as it may, it's running at 3.1%, and that's ex food and energy, right? So that doesn't even take into account the things I discussed earlier, about food prices due to fertilizer prices going up and energy prices going up. So, I think you're going to see some prints come out between the next, I don't know, 2 to 12 months that are going to be some scary inflation prints potentially. And then what does the Fed do? I mean, that's going to be the big question. And then you think about some of the fiscal profligacy that's been going on, particularly in the developed world, if you think Western Europe and the US and how much debt we're racking up, certainly has investment implications.

**Mark Goodwin:**

Great, some interesting perspective there, guys. Changing gears to private credit, a lot of news lately. Bloomberg had an article a couple of days ago indicating investors are trapped in about \$5 billion of gating for requests for liquidity. A couple of questions. How challenging do you believe the issues are in the private credit markets today? And how should investors balance their search for yield in connection with the liquidity of their ultimate investment?

**Brandon Bajema:**

I think what's really interesting about what's going on with private credit now is that a lot of people are putting it in this sort of binomial if it's either a complete disaster or there's nothing to see here, when we all know if you just spend three seconds with that question, it's probably somewhere in between. And what's really interesting also about private credit is it's an asset class that's relatively young and hasn't really experienced a credit cycle yet. But that very much looks like what we're going into, right? That doesn't mean it's the end of the asset class. It doesn't mean it's all doom and gloom, but credit cycles happen. And it's impossible to completely avoid a credit cycle, even if you don't mark any of your loans to market, the credit cycle is still happening. You just had your head in the sand, right? So right now, we're clearly entering a credit cycle. And it's very much unclear to those of us on the outside how bad the credit cycle will be. It could be really, really bad or it could be really, really shallow. We just simply don't know yet.

**John Cassady:**

And then if you think about this, we at Red Cedar, we're kind of straddling a little bit in the mutual fund world. So maybe that more of the retail investor but also have institutional business. So, some people we talk to in the institutional world, we all know about foundations and endowments that have an awful lot of private equity and private credit. And same with some of the public pensions out there. So I think it's been interesting over the years because we've noticed as being more fixed income investors, publicly traded fixed income markets here, where you get mark to market on a daily basis, that it feels like the endowment foundation and institutional world has been favoring more and more some of these esoteric products that don't have the liquidity. And a lot of them would tell you, well, we've got such a long-time horizon. Maybe our liabilities and our pensions are just so long that we've got a long, time horizon. Maybe an endowment or a foundation is like, generational, like their time horizon's way, way

long and they'll tell you, well, I don't need liquidity. It's funny though, because you don't need it until you need it. And that's where I think the, it's being tested right now. So, and then there's more leverage maybe that meets the eye in some of these products.

**Brandon Bajema:**

There definitely is. There's a lot of leverage and there's a lot of opacity and that's essentially what's causing a lot of the confusion, right? You got leverage and you got a lack of information. And then you've got a credit cycle that's extremely long in the tooth, and voila, you got a problem.

**John Cassady:**

And then of course, the other thing people are talking about is we'll put this in the disruptor bucket, right? There's this major disruption going on that's maybe beginning to impact private credit. And that has to do with AI, the AI world. And we've had that kind of freak out moment. Certainly, we've seen it in the public markets. where publicly traded software companies are really taking it on the chin with the idea that, hey, maybe software as a service, maybe that's going to be one of the things that goes the way of the dodo bird once AI is here for good and really controls our lives and everything. And so that's why you're starting to see the valuations on software companies go down. And to bring that back to private credit, it does seem like, depending on who you talk to, 20 to 30% of private credit, that is the industry that they're invested in. So, I think the good managers in that space will survive and there's plenty of good managers, but there's also seemingly been a feeding frenzy for people putting money into private credit deals. And then the managers really just having to really scrap to see where they can put the money to work. And that's where it can get a little dangerous or tenuous.

**Mark Goodwin:**

Thanks. Those are great observations. It'll be interesting to see if the asset class continues to gather assets or the lack of liquidity for folks seeking redemptions impacted going forward, but some good thoughts there. Hey, pivoting to the Fed for a minute, Kevin Walsh is expected to take over as the Fed Reserve Chair. What changes do you expect in the near-term policy and longer-term reform of Fed operations?

**John Cassady:**

Yes, so Brandon and I were talking a little bit about this offline beforehand, and we're not even committed, like, will he ultimately get confirmed? I mean, I think that's still open for debate, right?

**Brandon Bajema:**

Yes, and before we dive into this, just want to know how important of a topic this is. If it weren't for the war in Iran, all the finance industry, all they would be talking about is what's going on at the Fed. It's literally generational changes potentially going on at the Fed. And no one's talking about it because of what's going on in Iran just drowning out everything. But these are absolutely monumental changes that are going on there. But again, just what John said, we don't even know if Warsh is going to get confirmed by the Senate.

**John Cassady:**

Yes. And then you have Jerome Powell for his part, who is saying that as long as this is not a lawsuit, but this investigation, this, I'm trying to think if it was criminal investigation or not, but just for misappropriation of funds, I think he's not.

**Brandon Bajema:**

Against Powell, which is clearly politics, but he's got to deal with it.

**John Cassady:**

And so, Jerome Powell, for his part, has come out and said, well, as long as this DOJ investigation is going on, I'd be foolish to leave here. I'm going to stay put. And it was a foregone conclusion by most market participants that once his term was up as chairman of the FOMC (Federal Open Market Committee), that he would go away right off into the sunset. And now he's saying, no, you know what? I'm going to stay here as long as this investigation is going on. So, I think it's interesting. He's kind of flipped the script on President Trump here. And does he kind of become, they were talking about earlier, Trump might appoint someone while Powell was still chairman, and then that new person would be the de facto shadow Fed chairman. And now maybe Powell might be in the background still on the FOMC board, but he might kind of be a shadow governor, if you will. And I don't think that's healthy. Because of the financial press, they're going to be all over Powell. They're going to want to know what his comments are. What's his take? And maybe Powell has nothing to lose in that scenario. But be that as it may, I do think that the Fed's job has really become, it used to be a two-pronged approach, full employment and price stability, basically. And they've had mission creep over the years, for sure. And they've historically, the past, call it 5, 10 years, started to give a nod to climate change and things like that. As if the Fed can do anything about it through monetary policy, but they would talk about it. But really, I think they're going to just work closer and closer with the Treasury to get the Treasury funded when you just think about the fiscal difficulties that they are facing.

**Brandon Bajema:**

And I'll just add one nuance to what John said. So, he's completely right that they're going to work a lot closer with the Treasury, if Warsh gets in there and if Trump can exert more influence on the Fed. And as John knows, by last August, I thought he was going to capture the whole Fed. There was a scenario where he was going to push out the Central Bank presidents. He was, the Federal Reserve presidents. He obviously got rid of Adriana Coogler. He was on the verge of forcing out Lisa Cook. And it looked like he was literally going to capture the Fed. Nine months later, it doesn't look like he's going to be able to capture the Fed.

**John Cassady:**

I mean, it's a 180-degree rotation from what was going on for sure. Yeah.

**Brandon Bajema:**

So, I know if he has his way, there's going to be monumental changes. And some of the things Warsh is out there talking about doing. He's talking about shrinking the balance sheet. And basically, implying that by shrinking the balance sheet, he can cut front-end interest rates aggressively, right? Which is

going to help with the budget deficit. Now, how he's going to shrink the balance sheet aggressively? Unknown, at least to me. I have no idea how he's planning on doing it, but that's essentially what he wants to do. The other thing he wants to do is he says he's basically that all of these central bank presidents and governors that are out there constantly talking endlessly on Bloomberg, on the news to various interest groups should all stop doing that because all they're doing is painting themselves into a corner. And then when it comes time to actually vote, they've basically already given their vote because they've told everybody on every news service out there. He says that's bad. He also thinks what's good is when you actually do not have a unanimous decision. You have a vigorous debate on the board about whether it's a cut or a hike or a hold. Those are things that are very, very different from the way it's been in the past. But the biggest difference to a potential Warsh chairmanship is exactly what John said, much higher degree of coordination with the Treasury.

**John Cassady:**

So, Mark, if I were going to bring this back to try. So, we've done a lot of speculation here on what this might mean for how the Fed operates and everything. But if I want to kind of bring it back to the markets and what a potential outcome is, you know, if you tie together what what's going on in the Middle East with war and what the Fed's doing. The war has the potential to be stagflationary. If you think about energy shocks, food price shocks, that kind of thing. And when you get those types of increases in price, there can really be some demand destruction there that goes on basically what we saw in the 70s and early 80s in this country. And what happened during that time frame was there was Paul Volcker. And I'd say, where's Paul Volcker when you need him? But he had an easier time of it. It wasn't easy, maybe at the time in particular for him. He had to hike rates. It was very, very unpopular, but he will be regarded in history as one of the better, if not the best, FOMC chairman ever. He had a lot of leeway to do what he needed to do because the debt, debt to GDP in the US at that time was somewhere 20, 30%. You fast forward to today, it's 120%. And we've also got inflation. So, I think the Fed's kind of stuck between a rock and a hard place, potentially facing a stagflationary scenario where the economy could be slowing and prices rising. So, what do you do in that scenario? I don't know that they can afford not to cut though, given the fiscal deficits that not only the US is facing, but that's what we're talking about here with the Fed. They really, I think they only have one choice and it's they've got to help the Treasury out here and help fund the debt. So, I think that's what it means in this case. They have very little wiggle room to kind of stamp out inflation the way that Volcker did back in the early 80s.

**Mark Goodwin:**

Well, it's certainly an interesting macro backdrop that we're in, and it'll be interesting to see how it plays out in the coming months ahead. Pivoting to a more granular conversation, first, kudos to you both. The North Square Strategic Income Fund, ticker ADVNX that you guys sub-advise, recently won an award with Intelligence for Best Active Fixed Income Mutual Fund of the Year\*. So, I just want to say congratulations for your good work there.

*\*The active fixed income mutual fund of the year is given to the most successful taxable or muni bond fund, as determined by a combination of several elements, such as flows, performance, innovation, and fund objectives. Funds launched before October 1, 2024 are eligible for entry. North Square nominated the Strategic Income Fund for this Award.*

**John Cassady:**

Oh, well, thank you. No, it's a great partnership. You deserve the credit, too, because you hire the sub-advisors.

**Mark Goodwin:**

Well, we'll share the credit, but thank you, John. Can you guys discuss the key characteristics of the strategy and how you and your team members navigate through various market cycles as we look to be maybe entering a new phase of the market as we speak?

**John Cassady:**

So, we have a lot of different levers that we can pull on to produce alpha within the fixed income universe. And with more tools, it gives you more, potentially more ways in which to outperform the market. And so over time, we've done a pretty good job of handling that. In fixed income, there's interest rate risk, there's credit risk, there's yield curve risk, all those kinds of things out there. And so, like right now, just going back to the beginning of this conversation, we think that this is no time to sit here and try to be a hero in these markets. And right now, it's not as cool. And to say it, but it is about risk management and just waiting until you have more clarity around what the potential outcomes might be. And you kind of couple that with some of the valuations in the credit market as we entered 2026. So, it was time to maybe prune some positions, some things that had done well. We didn't foresee that this was on the horizon with the uncertainty that we have at this moment, but just when you looked at the valuations, you're like, okay, let's dial back some of the risk here in the portfolio. Another thing we have that's unique in this product is a tail risk hedge, that capitalizes on volatility. When volatility rises, typically credit can perform poorly in that environment when volatility rises. So, we've devised a strategy as volatility rises and potentially when your credit positions aren't doing as well. So, for right now, it's about risk management, but I will say this, typically, preferred income securities, preferred and hybrid securities, I should say. That's a very inefficiently priced market in fixed income that we can take advantage of. We like it that way, and that's through security selection. We can add alpha, potentially, same with securitized. So, think mortgage-backed securities, commercial mortgage-backed securities, and asset-backed securities. Those are things that we have a certain expertise in, and we can take advantage of pricing anomalies. So that's our bread and butter in this product. But then there's other things like interest rate risk, how much do we want to take? When do we want to take it? And then I guess the other thing I would say would be yield curve positioning. We hate the long end of the curve right now, just given the fiscal profligacy that's going on out there, running 6 and 7% budget deficits. It's interesting because you don't run deficits like that historically unless you're in a recession or in a time of war. But it just dawned on me, we are at a time of war. We are. But coming into this year, we were still running them when we probably shouldn't have been. So that's why we do not like the long end of the yield curve. So, it's in fixed income, it's about what part of the yield curve you own and how much credit risk you want to take. Anything to add there?

**Brandon Bajema:**

I would add that our strategy that we're running with you, our partners, is very liquid. So, there's a lot of times where people will compare our returns to other returns of something that's either private credit or private credit "light." And it's not totally, it's not apples to apples. It's all completely very, very liquid,

which is unique compared to some of our competitors. And the other thing I'd say is we are highly active. And you can have a vigorous debate on whether or not active management in equity fund management makes sense. You cannot have a debate on whether or not active fund management makes sense in fixed income. It categorically does. There's really a literal, very, very little debate on whether or not fixed income can generate alpha with active management. So, we do those two things very, very well.

**Mark Goodwin:**

To dive a bit deeper, John, you touched upon valuations and also the focus on preferred and hybrid securities. How do you see valuations across the various fixed income market segments that you consider for the strategy today? And how is the strategic income fund currently positioned among the various flavors of sectors that you can pull into a multi-sector fund?

**John Cassady:**

Yes, so right now, we like agency mortgage-backed securities. That's the place where we find value, where valuations look attractive right now. It's a different kind of risk if you think of agency mortgages, so it's got full faith and credit implicit by the US government there. But you're taking a different kind of risk, and that's prepayment risk or negative convexity in them. And so, the price levels of those look attractive to us right now. And you're not really, like I said, you're not going out on a limb by taking credit risk with those types of instruments. The other place would be CMBS, commercial mortgage-backed securities. And they tend to be, that's a place where you really have to do your homework, dig down to the individual property level of each deal, which our team, led by Jason Schwartz, does really, really well here. He has the tools at his disposal to dig in and look at all the financial statistics of every single loan on the property of the deal that he's buying. And some of those are even agency commercial mortgage-backed securities that have different characteristics that give different payouts based on getting prepayment penalties accruing to certain classes that he likes to own. And then other classes he will own, there'll just be certain securities that have a really nice carry profile that might carry like 7, 8, 9% annually. So, he kind of constructs a portfolio of those types of things to come up with cash flow characteristics overall that he likes. And that really, during the first quarter, that really helped with this product, and we continue to like those types of trades right now.

**Brandon Bajema:**

Well, credit valuations are extremely tight here, so you need to be very careful. And we're over a month, almost five weeks into this war in Iran, and you would think, given the way other asset classes, particularly oil and even equities have reacted, that you'd get a material spread widening. But it hasn't really happened. It happened to a degree, but to a very, very small degree. So, we're still very defensive. On the credit side of things, which is why John's mentioning Agency Mortgage-Backed Securities, you can actually pick up 25 to 30 basis points in Agency MBS over IG (investment grade) credit right now. So that's a trade that given you have a war going on, all these issues you got going on in private credit, potentially in AI, that's a pretty easy trade for us to do that. But the other thing that we like right here is, you know, we actually probably have more duration on right now than maybe we've ever had in this strategy. Again, that's partially because of what's going on geopolitically critically, but it's also the first time in basically five years, maybe actually the first time in six years, certainly, you actually have some slope to the yield curve. So, you can actually go out five, six, seven years and get a little carry, get a little

roll. Once Powell started hiking rates back in 2022, the curve inverted immediately. So, you didn't have any roll. So even if you wanted some duration, you had no roll and you barely even had any carry. Well, you didn't have any carry over cash by taking duration. So, it didn't make any sense. That script has definitely changed now with a positively sloping yield curve and all the geopolitical stress going on. It really does feel like duration sort of back in vogue now.

**John Cassady:**

Absolutely. And once again, keep in mind, cannot stress it enough, pay attention to where you are taking your duration risk, what part of the yield curve. And as I said, with a lot of the programs and funding that has to be done by various governments around the world right now, that would be a place where I'd, and you've started to see it, where 10-year (Treasury Note) yields in this country have crept up to, I think they've come down a little bit today, or the last two days or so, but they crept up to close to 4.50. 4.5% on the 10-year. If you remember last year during the kind of month of April into May when Trump was putting tariffs in place, and I think it was 145% tariffs on China, and the bond market rioted and 10-year yields started to creep up to 4.5% when that happened. And it was at that point that the president came in and said, oh, I'm going to put a pause on that, 90-day pause on the China tariffs. And that gave relief to the bond market. So, we thought at that moment that we then knew what the strike price was on the 10-year Treasury for the Trump put. And that turned out to be 4.5%. So, I mentioned that today because we had gotten, I think, as high as 4.43, 4.44 in the last few trading days. And now things seem to be calmer. Maybe Mr. Trump appears to be jawboning it down. But I do think that 4.50 is kind of the "Mendoza line" for this administration and maybe the Treasury Department where it gets uncomfortable for them in their funding needs going forward.

**Mark Goodwin:**

Thanks, John and Brandon. Great perspective on attractiveness of securitized and agencies and the view on having a normal sloping yield curve for the first time in a bit. Final question before I wrap up, what would you say are key risks that would result in a significant change to your portfolio allocation today? I know there's a lot of noise out there with inflation, stagflation, the war continuing or wrapping up quickly, and then any of the blowback or backdraft from private credit implications if things do deteriorate in the credit cycle. But just give a quick summary of risks and what might change in the way you run money.

**Brandon Bajema:**

Well, there's quite a few risks out there, obviously. Just sticking with just the geopolitical situation, it's going to break one of two ways. And a lot of people are out there kind of like deer in the headlights right now, right? Either this is going to get worse and valuations are really, really going to start reflecting that as asset prices are going to go down, or there's going to be some sort of capitulation. Maybe it's the Iranians, maybe it's the Americans, whoever, or some sort of detente, and everything's going to go back to some sort of normal. There's a lot of different ways that can break within those two broad extremes, right? And depending on where that goes, it's gonna matter, right? The US dollar was getting hammered, absolutely hammered for well over a year, certainly since the beginning of the Trump administration. until the war broke out. The moment the war broke out, the dollar started rallying, right? So, if this war continues like this, the dollar's going to continue to rally like that. But if there's some sort of conclusion to it, you better believe the dollar's going to sell off just like it was prior to that.

And there's a number of other things out there that are in a similar vein, like equities peak trough. Speaking to you on April Fool's Day after the close, the S&P 500 (Index) is only down 8% at the most. It's down even less than that now from the peak. That's not a historically large move when you think about what's just gone on. And then as you're alluding to, that's just the war in Iran. We've got the private credit issues. We've got issues with artificial intelligence. We've got a lot of other things going on there. So, this is one of those times when this linked us back to our portfolio positioning. This is a period of time when you want liquidity. You probably want some duration. And you don't want to be, you don't want any lazy positions. You don't want to be overexposed here. Because again, a lot of the spread product hasn't even moved yet. And maybe it never will, but it doesn't have a huge room to tighten. It definitely has a lot of room to widen.

**John Cassady:**

Yes, and I'd say right now, the way we're positioned, certainly more defensively, it's as high a credit quality as we've had in this product since we started running this with you guys in 2020. So, the risk would be, I'd say opportunity costs really for our part. Just that if we go back to peace, love, and joy, and all is right with the world, then maybe you get a little bit of a "risk-on" moment in the capital markets. And we'll still do okay in that environment, but it just won't be as great as it would have been had we kept our positioning the way it was last year at some point. So, I think it's more of an opportunity cost, but I do kind of think it's asymmetric because I don't know how much more upside potential there is for credit spreads to tighten. Even if we do get risk on, maybe you get 10 basis points of tightening.

**Brandon Bajema:**

It's an asymmetric trade, right? And your downside seems a lot higher than your upside.

**John Cassady:**

But we're patient. There're things over the last five years where we spot opportunities and we jump on them and hopefully make the right investment decisions.

**Mark Goodwin:**

Great, thanks. That's an awesome summary. John and Brandon, you travel with our distribution team to help market ADVNX. Can you talk about how an allocation to the fund can make sense for an investor in the current market environment?

**John Cassady:**

Yes, I think so. Look, a lot of people who use this would be, you know, they look at income. Income is a very important feature of, you know, certainly if you're, you know, maybe in retirement or maybe you're just at a different phase in life and that you don't want the risk of the equity market, and you depend on some of your investments for income. So that's a hallmark of it, it is an income-producing portfolio. We limit the debt historically. You can look at the statistics where our drawdowns are not as great as the broader fixed income market. And we're doing it generally in a high-quality way. We do it in a different way, I think, than most, but we really pay attention to the risk management and try to keep it and limit volatility of the fund that we're managing.

**Mark Goodwin:**

Great. Well, John, Brandon, thank you for joining me today. This has been a great discussion, as always.

**John Cassady:**

Yes, thanks a lot. Thanks, Mark.

**Brandon Bajema:**

Thanks, Mark.

**Diane Merritt:**

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**Principal Risks of Investing:** Risk is inherent in all investing, including an investment in the Fund. An investment in the Fund involves risk, including the following principal risks, among others: Market Risk, Credit Risk, Fixed Income Securities Risk, Interest Rate Risk, Preferred Securities Risk, Mortgage-Backed and Asset-Backed Securities Risk, High Yield ("Junk") Bond Risk, and Derivatives Risk. Summary descriptions of these and other principal risks of investing in the Fund are set forth in the Fund's prospectus. Before you decide whether to invest in the Fund, carefully consider these risk factors associated with investing in the Fund, which may cause investors to lose money. There can be no assurance that the Fund will achieve its investment objective. An investment in the Fund is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

**Before investing you should carefully consider the Fund's investment objectives, risks, charges and expenses. This and other information is in the prospectus, a copy of which may be obtained by calling 855-551-5521. Please read the prospectus carefully before you invest.**

**Definitions of terms used in this podcast:**

**Petrodollars** are U.S. dollars earned from crude oil exports.

**Renminbi and Yuan:** Chinese currency is referred to by two names: the Chinese yuan (CNY) and renminbi (RMB), which translates to "People's Currency." The distinction between CNY and RMB is subtle. RMB is the official currency of China. The yuan is the principal unit of account for that currency.

**Core PCE (Personal consumption expenditures) and CPI (Consumer Price Index)** are both key inflation measures, but they differ in scope and calculation. The Federal Reserve is thought to prefer the Core PCE metric because it covers a broader range of expenses and accounts for consumer behavior changes, generally showing lower, less volatile inflation than CPI. CPI focuses on out-of-pocket expenses, also known as consumer spending, is a measure of the spending on goods and services by people of the United States.

**Private credit** refers to loans provided by non-bank financial institutions—such as private equity firms or investment managers—to companies, rather than through traditional bank lending or public bond markets.

**Gating** in private credit is a risk management mechanism used by fund managers to restrict or suspend investor withdrawals when redemption requests exceed a set percentage of the fund's total assets.

A **credit cycle** is the pattern of expansion and contraction in the availability of credit within an economy, which moves with broader economic growth and decline. These cycles are believed to last longer than business cycles and can have far-reaching effects on borrowing, investment, and financial stability.

**Tail risk hedging** is a portfolio management strategy designed to protect against rare, extreme market downturns ("left tail events") that exceed normal volatility expectations.

The **carry profile** in fixed income investing represents the income generated by holding a bond over a specific period, largely from the coupon income, assuming the yield curve remains unchanged. It is the return earned simply by waiting, often expressed as positive (because it is earning more than the cost of funding) or negative (the cost of holding exceeds income).

**Private credit** or private debt investments (private credit "light") are debt-like, non-publicly traded instruments provided by non-bank entities, such as private credit funds or business development companies (BDCs), to fund private businesses.

**Duration:** indicates the years it takes to receive a bond's true cost, weighing in the present value of all future coupon and principal payments.

A **yield curve** is a line that plots the yields or interest rates of bonds that have equal credit quality but different maturity dates. The slope of the yield curve predicts the direction of interest rates and the economic expansion or contraction that could result.

The **Mendoza Line** is a baseball term for a batting average of **.200**, signifying the threshold of what is considered extremely poor or "subpar" performance. Named after light-hitting shortstop Mario Mendoza, who often hovered around this mark.

The **S&P 500** is a stock market index weighted by market capitalization that is made up of 500 of the largest public companies in the United States. The index captures around 80% of the total U.S. equity market value, serving as a bellwether of economic performance.

**Basis points:** A basis point (bp) is a standard measure for interest rates and other percentages in finance, representing one-one hundredth of one percent. 100 basis points = 1.0 percent.

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