LYSANDER FUNDS

FULCRA ASSET MANAGEMENT INC.

Q2 2026

Fulcra Commentary
March 31, 2026 to June 30, 2026

Dear Investors,

Over the last three months, we have seen investment-grade and high yield index credit spreads fall from 2026 highs in March, and relatively stable returns for most asset classes.

Energy sector has come more balanced following the initial US-Iran war instability and investors have shifted their focus from rising geopolitical risk to the seemingly insatiable demand for capital from "AI hyperscalers"- companies that offer large-scale cloud infrastructure and AI computing power, allowing businesses to access advanced AI capabilities without the need to build or manage their own high-performance infrastructure e.g. Microsoft Azure and Amazon Web Services (AWS).

In the background, large US private credit funds continued to struggle with redemption requests, reminding investors that liquidity does indeed have a cost.

We are often asked to provide views on inflation, interest rates and other macroeconomic factors, but we are content to let others make these types of directional calls. As always, our energy remains focused on corporate balance sheets, bond indentures and uncovering value in places other investors prefer not to look.

FULCRA ASSET MANAGEMENT

Matt Shandro,
Portfolio Manager

LinkedIn Profile

LYZ935F
Lysander-Fulcra
Corporate Securities Fund

Portfolio Update

Tidewater Midstream and Infrastructure Ltd (TWM)

We have followed the company, seen its various capacities for many years and have held the TWMCN 8% 06/30/2029 convertible bond from inception.

Over the past 18 months, Tidewater completed several asset sales, operational adjustments and government support initiatives to improve its business, and most recently announced improved financial guidance for 2026. Since the beginning of the year, TWM stock has moved from trading around $5 to $18, and the price of our bonds has moved from ~80 cents on the dollar to ~120.

With the recent appreciation in the company's common stock, these convertible bonds are now "in the money" on the embedded call option with approximately three years left to maturity.

JELD-WEN Holding Inc. (JELD)

JELD is a vertically integrated global manufacturer and distributor of windows, doors and other building products. The company is in a cyclically weak part of its economic cycle and continues to face margin pressure from higher costs, particularly freight costs.

Our positions in JELD's secured and unsecured debt performed well during the quarter.

Company management noted on their most recent earnings call that they have implemented several price increases, and that volumes within their European business have stabilized. They also disclosed that a strategic review (potential sale) of their European business remains ongoing, but no definitive sales agreement has been announced.

Their next significant debt maturity comes in December of 2027 which leaves the company time to improve operations and negotiate with lenders on a path to refinancing their nearest maturity bond.

Getty Images Holdings Inc. (Getty)

We first invested in Getty debt last summer. At the time, Getty was in the process of acquiring Shutterstock – a major competitor. Our thesis was that the pro-forma combined business of Getty and Shutterstock would generate a stronger credit profile than Getty alone and that market sentiment towards the stock image and editorial businesses had become too negative.

We added to our position in Getty when the company issued a 10.5% bond maturing in 2030 to fund the acquisition. This specific bond was repriced from above par into the mid 80's after the U.S. Department of Justice (DOJ) approved the merger. However, the United Kingdom's Competition and Markets Authority (CMA) had not yet approved the merger.

A unique feature in the legal document governing the 10.5% 2030 Getty bond required the company to repay investors at par if the merger was called off. This provision affected the bond's risk/reward profile by providing a potential repayment outcome if the merger did not proceed, while also leaving the position exposed to market, credit and transaction-related risks. So, we adjusted most of our position in another Getty bond into the 10.5% 2030 bond at a nearly equal price between March and May this year.

After the market closed on Jun 30th, Getty announced it would terminate the merger based on the CMA's requirement for Getty to divest several Shutterstock business lines prior to approval of the merger. The 10.5% 2030 bond represented a meaningful position in the Fund.

Outlook

Thematically, the growth of the AI industry has made its way into the credit markets. Google, Amazon, Meta, Oracle and SpaceX are some examples of companies that have raised money in the global bond markets to fund rising capital expenditures this year.

Concentration risk to the theme has spilled over from the equity markets into the credit markets, creating the conditions for a particularly painful re-pricing of risk if profits fail to materialize from the immense amount of money funding the growth in data centres, AI models and power generation.

No alarm bells are ringing yet; however, parallels to previous sector-driven economic downturns like internet businesses in 1999, US housing in 2007 and oil & gas production in 2014 are becoming stronger.

Lysander Funds Limited

WWW.LYSANDERFUNDS.COM

TORONTO Head Office

4000 - 3080 Yonge Street
Toronto, ON M4N 3N1

T. (416) 640-4275
F. (416) 855-6515
TF. 1 (877) 308-6979
E. manager@lysanderfunds.com

Follow us on LinkedIn

MONTRÉAL

3150 - 1 Place Ville Marie
Montréal, QC H3B 3Y2

T. (514) 316-9257

VANCOUVER

1280 – 333 Seymour Street
Vancouver, BC V6B 5A6

TF. 1 (877) 308-6979

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