

JFT STRATEGIES FUND

Manager Commentary

AS OF AUGUST 31, 2025



GLOBAL ASSET
MANAGEMENT

RATES ARE GOING DOWN. SAYS WHO?

Does it look like interest rates are going down (Chart 1)? This is France's 30-year bond yield. Clearly, it's not going down. Not only that, but it is at the highest level since the 2008-2009 crisis level. It's even worse for the UK, as their 30-year yield is breaking records (Chart 2) to the upside, and you need to go back to the 1998 Asian crisis to see higher rates.

CHART 1: FRANCE 30-YEAR YIELD



Source: Bloomberg Finance L.P.. As at September 5, 2025.

CHART 2: UNITED KINGDOM 30-YEAR YIELD



Source: Bloomberg Finance L.P.. As at September 5, 2025.

The same can be said about the USA 30-year rates: you need to go back to 2007 to find a similar level (Chart 3). And in Canada, the trend is similar (Chart 4). Let's not forget Japan, which is at a multi-decade high (Chart 5).

CHART 3: UNITED STATES 30-YEAR YIELD



Source: Bloomberg Finance L.P.. As at September 5, 2025.

CHART 4: CANADA 30-YEAR YIELD



Source: Bloomberg Finance L.P.. As at September 5, 2025.

CHART 5: JAPAN 30-YEAR YIELD



Source: Bloomberg Finance L.P.. As at September 5, 2025.

Clearly, something is amiss. Most investors, economists, financial advisors, podcasters, TV hosts and politicians keep talking about inflation coming down; therefore, interest rates should move lower in the coming months. Very few talk about longer rates actually moving higher and higher. This is a problem as most businesses and countries don't finance their debt on short-term variable rates, but rather further out on the curve. In other words, the cost of financing is not coming down unless someone is willing to take the risks of going short-term variable for 100% of their debt. Most well-run businesses or countries stack their debt over time and over long periods. Stability is key.

WHY ARE LONG-TERM RATES GOING UP?

Both France and the UK have high budget deficits and, therefore, both countries are looking to increase taxes further. Governments seem to rarely consider cutting expenses as the best solution, despite the fact that they already represent about half of their GDP or more (in France, it is 57%).

As a recent example of how governments make choices, the Germans have decided to increase deficits by hundreds of billions of euros over the coming years to spur some economic growth. They didn't even consider a major tax cut as a better alternative. Governments love to spend your money and will continue to do so until a crisis shows up. Greece is a great example and a great reminder of a country hitting the wall. Their government was forced to cut expenses substantially and permanently, including pensions and entitlements.

Returning to the issues of both the UK and France, let's not forget that they both also have a large trade deficit. Because of the trade deficits, foreign investors have accumulated a substantial amount of their bonds. If a recession comes (or another problem), there is a very real risk of foreign investors bailing out, which could move their interest rates substantially higher. A "SOVEREIGN DEBT CRISIS" could ensue. Remember that France can't print money as they are part of the Eurozone.

Such a crisis happened almost 30 years ago. The **Asian Financial Crisis** began with the devaluation of the Thai baht in July 1997, but it spread quickly to other Asian countries to become a major crisis where, in US dollar terms, most Asian stock indexes lost about 75% of their value (currencies dropped around 50% and stocks in local currencies dropped substantially as well). I repeat, 75% of their stock value evaporated. It took years to recover.

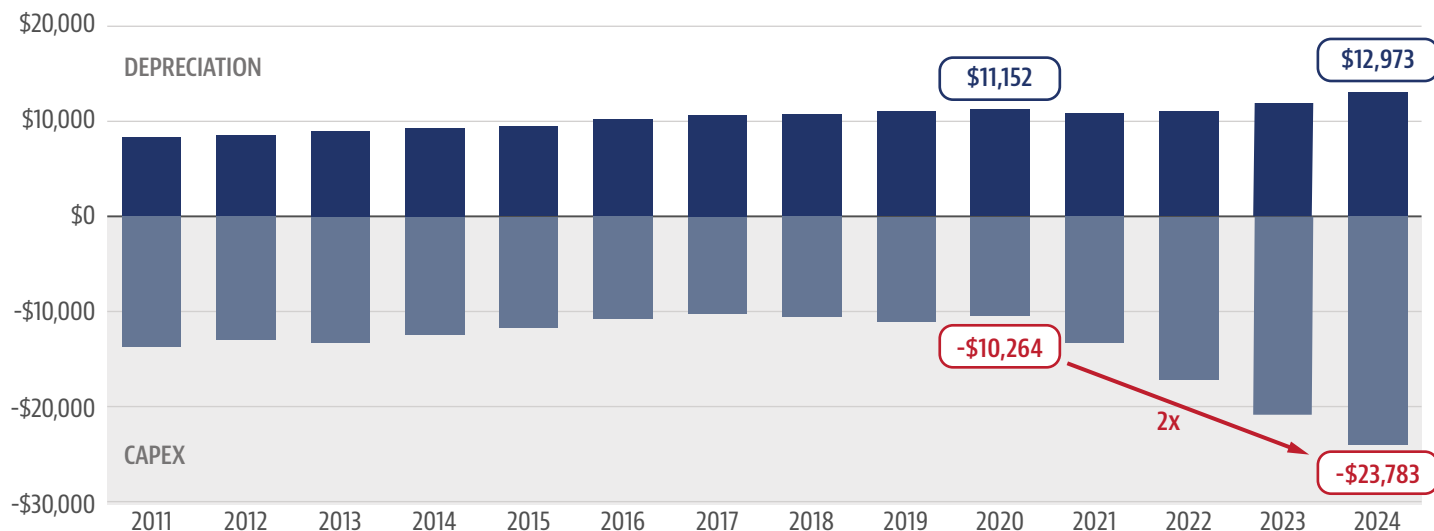
Most of the western world are on an unsustainable path with too much debt, deficit and government spending. Over-regulation is also a problem, as more rules are added but they rarely eliminate inefficient rules. The USA has a very large budget deficit at a time when employment is very strong. This doesn't allow for a lot of room when problems do show up, which would destabilize the whole situation.

Let's not forget the many polarized issues that exist today like Ukraine, Israel and tariffs. A lot of people are boycotting the US because of the tariffs. Others are boycotting some US companies for supporting Israel, such as Norway's wealth fund, which divested from Caterpillar¹. It seems the number of issues at play could all be affecting the economy and many specific companies directly. Yet investors seem to ignore it all. They have been trained to buy every dip and invest for the long term. The risk-reward profile seems completely upside down currently.

In other words, the risk of a crisis is much higher than what the markets are pricing in, in our opinion. The fact that long-term rates are going up (bearish) along with all-time highs on the S&P 500 indicates that investors don't care about fundamentals and continue to love the large companies. Investors don't pay too much attention to negative change. As another example, we have noticed Wal-Mart capital expenditures (Capex) have increased by 130% since pre-covid. Which means that their free cash flow (FCF) has decreased. According to our calculation, Wal-Mart stock trades around a 1.5% FCF yield currently, which is way too expensive in our opinion. The same could be said for Meta and Microsoft as they are going big on AI infrastructure spending. Let's hope they get a good return on those hundreds of billions of dollars. Nvidia's CEO said in a recent second quarter earnings call that he expects up to US\$4 trillion will be spent before 2030.

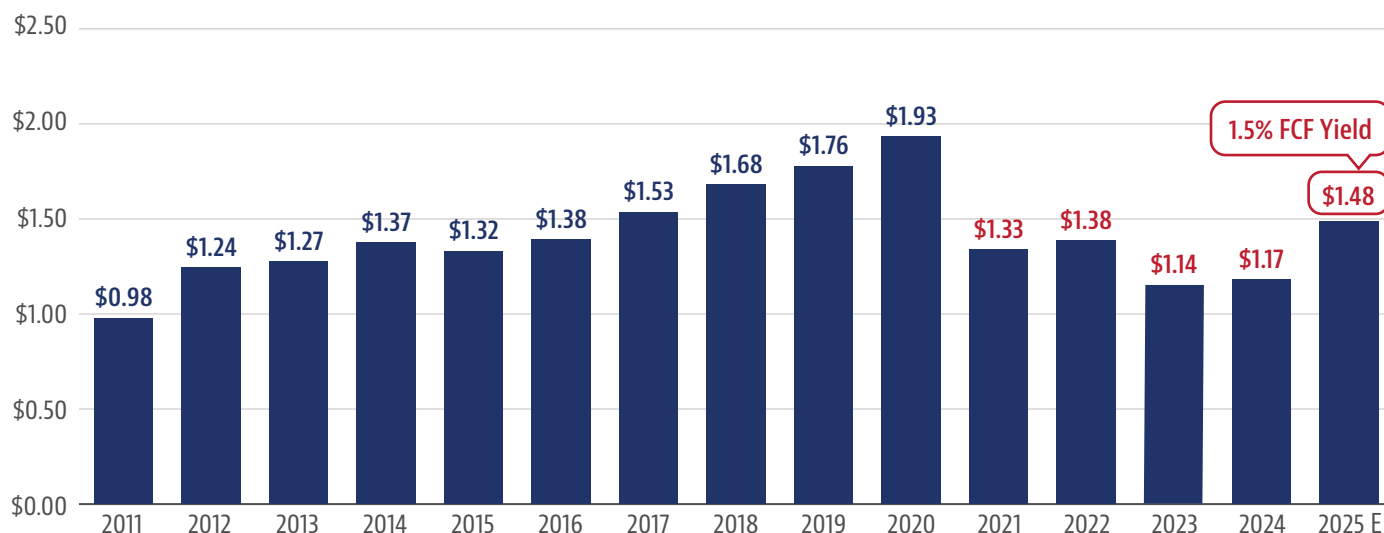
¹<https://www.timesofisrael.com/norway-wealth-fund-divests-from-caterpillar-5-israeli-banks-over-gaza-rights-violations/>

WAL-MART



Source: Walmart Earnings Reports. As at September 5, 2025.

WAL-MART FREE CASH FLOW PER SHARE (EARNINGS + DEPRECIATION-CAPEX)



Source: Walmart Earnings Reports and Management Guidance. As at September 5, 2025.

PORTFOLIO POSITIONING

Considering the higher risks in the market, we believe it is best to have lower long exposure and good protection with short positions, along with some put options. Because of the current structure of our capital markets where we have a high investor concentration in ETFs (passive strategies) and a few other stocks and assets (crypto, meme stocks, one-day options), we believe there is real risk of a fast and large drop in asset prices soon. Despite our bearishness, we are still looking for some great long ideas. We have found new names recently through Jonathan Lanksy's Substack and Amber Kanwar's [podcast](#):

One of Jonathan's recent ideas, "IREN" (IREN-US), caught our attention, and our own research suggests this is a very compelling investment opportunity.

Enter IREN: an Australia-headquartered, Nasdaq-listed company with operations in Texas and British Columbia. IREN started as a data center operator focused on Bitcoin mining. However, we believe IREN is close to moving itself to the more institutionally recognized asset class of Data Center REIT (e.g., DLR, EQIX) focused on AI customers.

IREN is developing a massive 1.4GW data center site for AI customers in Sweetwater, Texas, with contracted renewable power to the site and all the long-lead-time equipment (e.g., racking, cooling systems) already ordered. These sites take 4–7 years to develop, but IREN’s will be ready soon, with first power April 2026. Recent data center co-location deals have included billions of dollars of revenue over 10–15-year contracts, with counterparties such as CoreWeave and Fluidstack supplying and taking on the risks of owning the chips. Once IREN secures customer(s) and lease contracts for the site, we estimate Earnings before interest, taxes, and amortization (EBITA) could increase from \$251M last year to approximately \$2 billion or more.

Company	Ticker	Share Price	Market Cap (M)	EV/EBITDA		Net Debt/EBITDA LTM	Dividend Yield
				2025	2026		
Crypto Mining							
Bitfarms Ltd.	BITF	\$1.3	\$741	6.0x	4.6x	-2.1x	0.0%
Bitdeer Technologies Group	BTDR	\$14.1	\$2,169	nm	7.2x	NA	0.0%
Cleanspark, Inc.	CLSK	\$9.5	\$2,710	4.2x	4.7x	0.0x	0.0%
IREN Limited	IREN	\$28.7	\$7,917	13.6x	8.8x	1.4x	0.0%
Sector Average				5.1x	5.5x	-1.1x	
						IREN could move from Crypto Miner multiple to Data Center	
Crypto Miners Expanding into AI Data Centers							
Galaxy Digital Inc.	GLXY	\$23.6	\$4,224	NA	17.0x	NA	0.0%
MARA Holdings, Inc.	MARA	\$15.9	\$5,950	29.3x	22.7x	-0.8x	0.0%
Riot Platforms, Inc.	RIOT	\$13.9	\$5,208	19.7x	22.3x	-0.8x	0.0%
TeraWulf Inc.	WULF	\$9.5	\$3,774	85.0x	21.3x	8.3x	0.0%
Sector Average				44.7x	20.8x	2.2x	
Data Centres							
Digital Realty Trust, Inc.	DLR	\$162.7	\$55,574	23.8x	21.5x	5.1x	2.9%
Equinix, Inc.	EQIX	\$773.0	\$75,508	20.8x	19.0x	3.7x	2.4%
DigitalBridge Group, Inc.	DBRG	\$11.2	\$2,047	25.6x	23.9x	1.2x	0.4%
Sector Average				23.4x	21.5x	3.3x	

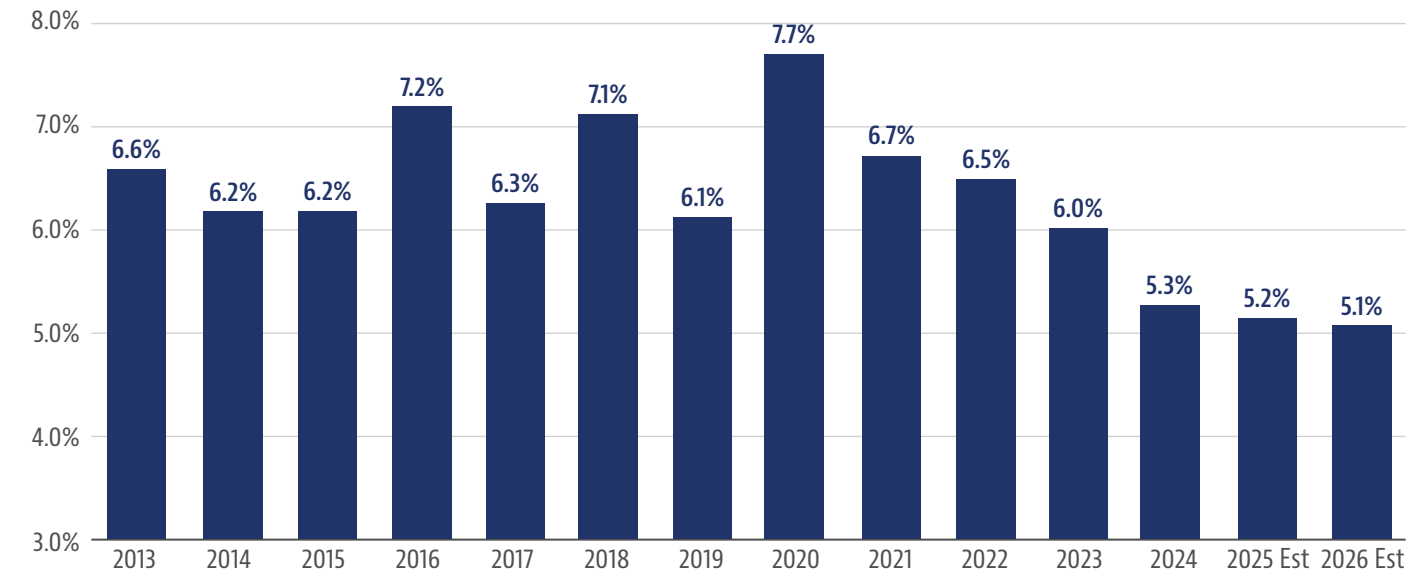
Source: Timelo, FactSet. As at September 5, 2025.

Another idea came by listening to Amber Kanwar’s [podcast](#) “In the Money”.

The US health insurance space has been negatively impacted by a theme of higher health care costs in specific product lines (Medicare, Medicaid, Affordable Care Act exchanges). However, Elevance has a diversified portfolio with over two-thirds of the earnings not related to the currently challenging government businesses.

We believe that the challenges facing the industry will be a temporary phenomenon financially as these companies will be able to reprice their contracts over time and return to close to historical margins. You can see in the chart below that the EBITDA margins today vs. history leave a lot of upside, should the company be able to execute on repricing product lines and managing medical costs.

ELEVANCE CONSENSUS EBITDA MARGINS



Source: Bloomberg Finance L.P.. As at September 5, 2025.

In the middle of 2024, investors expected Elevation to earn \$47/shr in adjusted Earnings per share (EPS) in 2026, and now they are expecting \$32. With the stock trading at 10x depressed forward earnings vs. the historical range of 10–16x, we think that we have a wide margin of safety to work with and multiple drivers (multiple expansion, upward earnings revisions) to enable us to see attractive risk-adjusted returns.

Jean-Francois Tardif

President & Portfolio Manager
Timelo Investment Management Inc.

For more information, please visit ci.com.



GLOSSARY OF TERMS

Return (risk-adjusted): A measure of investment performance taking into consideration how much risk/volatility was assumed to generate it. Consider two investments, both of which return 10% over a given time period. The investment with the greater risk-adjusted return would be the one that experienced less price fluctuation. Two of the most commonly used measures of risk adjusted returns are Sharpe and Sortino ratios.

Sharpe Ratio: A risk-adjusted return measure calculated by using standard deviation and excess return to determine reward per unit of risk. The higher the Sharpe Ratio, the better the portfolio's historical risk-adjusted performance.

Short selling: When a portfolio manager believes a security will decline in price, they may decide to borrow and sell a given asset in the hope of being able to buy it back for a lesser price and return it to the lender at some future date.

Sortino ratio: An evolution of the Sharpe ratio. Ignores "good volatility" (upward price movement) and focused solely on returns per unit of "bad volatility" (downward price movement), which is more indicative of the risk of loss.

Standard Deviation: A measure of risk in terms of the volatility of returns. It represents the historical level of volatility in returns over set periods. A lower standard deviation means the returns have historically been less volatile and vice-versa. Historical volatility may not be indicative of future volatility.

Volatility: Measures how much the price of a security, derivative, or index fluctuates. The most commonly used measure of volatility when it comes to investment funds is standard deviation.

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