

ACTIVE AND STRATEGIC FIXED INCOME – RELATIVE VALUE LONG TERM

Inception Date
July 1, 2018

Performance Benchmark
FTSE Canada Long Term

Currency
CAD

STRATEGY DESCRIPTION

This actively managed strategy invests in physical and synthetic fixed income securities to take advantage of market anomalies on the various yield curves in North America while keeping a constant focus on long term capital preservation. The portfolio of physical securities generates a yield to maturity superior to its benchmark through a systematic bias on the yield curve dispersion and an overweight positioning in high quality credits. The portfolio of synthetic securities consists of several duration neutral strategies with a short-to-medium term horizon showing low correlation. The portfolio is built using a bottom-up approach based on four types of analysis with a strong emphasis on risk management.

HIGHLIGHTS

Style	Active management, Core plus
Process	Combination of top-down and bottom-up approaches, multi-strategy
Turnover	High
Duration	Benchmark: ± 1.5 years
Corporate positioning	Underweight BBB and long term
Strategy AUM	\$83 Million (As at December 31, 2022)

INVESTMENT DECISIONS

	Long Term Mandates		
	Active	Relative Value	Strategic
Systematic Bias	20%	10%	70%
Portfolio Optimization	10%	10%	20%
Tactical Bias – Short-Term	70%	10%	10%
Tactical Bias – Short-Term (Overlay)	0%	70%	0%
Value Added Objective	0.50%	1.00%	0.25%

INVESTMENT APPROACH SUMMARY

Committees	4 Types of Analysis	4 Sources of Value Added
<ul style="list-style-type: none"> Fixed Income Strategy Portfolio Revision Credit Research 	<ul style="list-style-type: none"> Fundamental Technical Sentiment Seasonality 	<ul style="list-style-type: none"> Duration: 10% Curve: 70% Sector Allocation: 10% Security Selection: 10%
Promotes sound discipline and synthesis	Rigorous process	Magnitude of the sources of value added varies according to the market environment

WHY INVEST IN THIS STRATEGY

- Superior value added objective compared to traditional mandates
- Multiple sources of alpha aligned with the value added objective
- Consistency and robustness of returns regardless of economic, political and financial environments
- High quality portfolio and conservative approach to Corporate bonds
- Disciplined investment process focused on rigorous and on-going risk management

PERFORMANCE (%)

As of March 31, 2023

PER PERIOD AND CALENDAR YEAR PERFORMANCE						
	Q1 2023	YTD	2022	2021	2020	2019
Portfolio	4.29	4.29	-21.26	-2.80	13.34	14.30
Benchmark	4.72	4.72	-21.76	-4.52	11.90	12.71
Added Value	-0.43	-0.43	0.49	1.71	1.44	1.59
ANNUALIZED PERFORMANCE						
	1 Year	2 Years	3 Years	4 Years	SI	
Portfolio	-7.32	-5.14	-2.84	-0.93	0.68	
Benchmark	-7.17	-6.40	-4.39	-1.99	-0.41	
Added Value	-0.15	1.26	1.55	1.06	1.09	

Past performance is not a guarantee or indicator of future results. Inherent in any investment is the risk of loss.
Composite returns, presented gross of management fees
YTD = Year to Date; SI = Since Inception

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RISK/RETURN ANALYSIS (%)

	Portfolio	Benchmark
Annualized return (%)	0.68	-0.41
Beta	1.04	1.00
Standard deviation (%)	11.87	11.32
Information ratio	0.78	n/a
Sharpe ratio (1.34% ¹)	-0.06	-0.15

Composite, Since inception

1. Risk-free Rate of return

PORTFOLIO STRUCTURE – DURATION

	Portfolio	Benchmark	Difference
AVG coupon (%)	3.74	3.79	-0.04
Yield (%)	4.38	4.10	0.28
Adjusted modified duration (Year)	14.64	14.67	-0.03
Modified Duration by Sector			
Cash and money market	0.00	0.00	0.00
Canada	1.52	3.30	-1.78
Provincials/Municipals	9.66	8.71	0.95
Corporates	3.45	2.65	0.80
Modified Duration by Term			
< 10 years	0.42	0.05	0.37
10 to 20 years	2.89	3.56	-0.67
20 to 30 years	8.58	8.47	0.11
> 30 years	2.75	2.59	0.16

PORTFOLIO POSITIONING (%)²

Sector Allocation

Sector	Portfolio	Benchmark
Cash and money market	1	0
Canada	8	20
Provincials/Municipals	65	59
Corporates	26	22

Curve Positioning

Duration	Portfolio	Benchmark
< 10 years	8	0
10 to 20 years	25	35
20 to 30 years	52	52
> 30 years	15	13

Credit Rating Allocation

Rating	Portfolio	Benchmark
AAA	9	20
AA	57	52
A	20	18
BBB	12	9

2. Totals may not sum to 100% due to money market holdings or non-rated securities.

PORTFOLIO MANAGEMENT TEAM

Team member	Role	Experience
Charles Lefebvre, CFA, FRM	Senior Portfolio Manager	1994
Luc Bergeron, MSc	Portfolio Manager	1992
Tan Vu Nguyen, CFA	Portfolio Manager	1994
Olivier Audette Génier, MSc, CFA	Assistant Portfolio Manager	2013
Nicolas Vaugeois, MSc, CFA	Portfolio Manager	2012
Alexandre Cousineau, MSc, CFA, CAIA	Portfolio Manager	2013
Kon-Yu Lau, CFA, FRM	Senior Portfolio Manager	1999
Imran Chaudhry, CFA	Senior Portfolio Manager	2000
Sapan Sheth, CFA	Assistant Portfolio Manager	2009
Guillaume Bellavance, FICA, CFA, CAIA	Assistant Portfolio Manager	2021

They are supported by two analysts. They also draw on the expertise of the entire fixed income team, which boasts two distinct trading desks in Montreal and Toronto. Investment decisions are made by consensus amongst the investment team.

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