

# ACTIVE AND STRATEGIC FIXED INCOME – RELATIVE VALUE UNIVERSE

**Inception Date**  
December 1, 2017

**Performance Benchmark**  
FTSE Canada Government Universe

**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

<b>Style</b>	Active management, Core plus
<b>Process</b>	Combination of top-down and bottom-up approaches, multi-strategy
<b>Turnover</b>	High
<b>Duration</b>	Benchmark: ±1.5 years
<b>Corporate positioning</b>	Underweight BBB and long term
<b>Strategy AUM</b>	\$143 Million (As at September 30, 2023)

## INVESTMENT DECISIONS

	Universe Mandates		
	Active	Relative Value	Strategic
<b>Systematic Bias</b>	20%	10%	70%
<b>Portfolio Optimization</b>	10%	10%	20%
<b>Tactical Bias – Short-Term</b>	70%	10%	10%
<b>Tactical Bias – Short-Term (Overlay)</b>	0%	70%	0%
<b>Value Added Objective</b>	0.50%	1.00%	0.35%

## INVESTMENT APPROACH SUMMARY

Committees	4 Types of Analysis	4 Sources of Value Added
<ul style="list-style-type: none"> <li>Fixed Income Strategy</li> <li>Portfolio Revision</li> <li>Credit</li> <li>Research</li> </ul>	<ul style="list-style-type: none"> <li>Fundamental</li> <li>Technical</li> <li>Sentiment</li> <li>Seasonality</li> </ul>	<ul style="list-style-type: none"> <li>Duration: 10%</li> <li>Curve: 70%</li> <li>Sector Allocation: 10%</li> <li>Security Selection: 10%</li> </ul>
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 December 31, 2023

PER PERIOD AND CALENDAR YEAR PERFORMANCE

	Q4 2023	YTD	2023	2022	2021	2020	2019	2018
<b>Portfolio</b>	8.51	5.34	5.34	-11.84	-1.98	11.07	7.46	2.34
<b>Benchmark</b>	8.49	6.11	6.11	-12.34	-2.97	8.69	6.42	1.53
<b>Added Value</b>	0.02	-0.78	-0.78	0.50	0.99	2.38	1.04	0.80

ANNUALIZED PERFORMANCE

	1 Year	2 Years	3 Years	4 Years	5 Years	6 Years	SI
<b>Portfolio</b>	5.34	-3.63	-3.09	0.27	1.67	1.78	1.70
<b>Benchmark</b>	6.11	-3.55	-3.36	-0.48	0.86	0.98	0.89
<b>Added Value</b>	-0.78	-0.08	0.27	0.75	0.81	0.81	0.81

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 (%)	1.70	0.89
Beta	1.02	1.00
Standard deviation (%)	6.30	6.12
Information ratio	0.90	n/a
Sharpe ratio (1.74% <sup>1</sup> )	-0.01	-0.14

Composite, Since inception

1. Risk-free Rate of return

## PORTFOLIO STRUCTURE – DURATION

	Portfolio	Benchmark	Difference
AVG coupon (%)	2.63	2.95	-0.32
Yield (%)	3.69	3.66	0.03
Adjusted modified duration (Year)	7.93	7.85	0.08
<b>Modified Duration by Sector</b>			
Cash and money market	0.00	0.00	0.00
Canada	3.79	3.22	0.57
Provincials/Municipals	4.14	4.63	-0.49
Corporates	0.00	0.00	0.00
<b>Modified Duration by Term</b>			
Short (< 5 years)	0.83	0.98	-0.15
Mid (5 to 10 years)	3.65	2.20	1.45
Long (> 10 years)	3.45	4.68	-1.23

## PORTFOLIO POSITIONING (%)<sup>2</sup>

### Sector Allocation

Sector	Portfolio	Benchmark
Cash and money market	0	0 <sup>1</sup>
Canada	49	52
Provincials/Municipals	51	48
Corporates	0	0

### Curve Positioning

Duration	Portfolio	Benchmark
< 5 years	25	38
5 to 10 years	51	32
> 10 years	24	30

### Credit Rating Allocation

Rating	Portfolio	Benchmark
AAA	49	54
AA	50	41
A	1	5
BBB	0	0

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
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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