

ACTIVE AND STRATEGIC FIXED INCOME – STRATEGIC UNIVERSE

Inception Date
January 1, 2018

Performance Benchmark
FTSE Canada Universe

Currency
CAD

STRATEGY DESCRIPTION

With a duration similar to the benchmark, we invest in a strategic allocation focused on the yield curve and sectors. Our objective is to produce a stable added value over rolling four-year periods with an information ratio greater than 0.50. Our decision-making process also incorporates tactical decisions and an optimization of the security selection process in relation to portfolio positioning. The portfolio generates a higher yield to maturity than its benchmark by maintaining an overweight position in provincial, municipal and corporate bonds (less than 10 years), combined with a bullet positioning on the yield curve. These sources of value added are negatively correlated with each other and with the direction of interest rates.

HIGHLIGHTS

| | |
|------------------------------|----------------------------------------------------|
| Style | Strategic, Core |
| Process | Fundamental top-down, synthetic and multi-strategy |
| Turnover | Low |
| Duration | Benchmark: No deviation |
| Corporate positioning | Underweight BBB and Long Term |
| Strategy AUM | \$251 Million (As at September 30, 2023) |

INVESTMENT DECISIONS

| | Universe 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% | 0.35% |

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: 0% ➤ Curve: 45% ➤ Sector Allocation: 45% ➤ 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

- Consistency and solid performance in different types of market environments
- Strong risk-adjusted returns as reflected by an excellent Information Ratio
- Positive carry through long term investment decisions
- High quality portfolio with conservative approach to corporate bonds selection
- Continuous and rigorous risk management through disciplined investment process

PERFORMANCE (%)

As of December 31, 2023

| PER PERIOD AND CALENDAR YEAR PERFORMANCE | | | | | | | | |
|------------------------------------------|---------|------|------|--------|-------|-------|------|------|
| | Q4 2023 | YTD | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
| Portfolio | 9.11 | 7.70 | 7.70 | -12.24 | -2.20 | 10.88 | 7.43 | 1.65 |
| Benchmark | 8.27 | 6.69 | 6.69 | -11.69 | -2.54 | 8.68 | 6.87 | 1.41 |
| Added Value | 0.84 | 1.01 | 1.01 | -0.56 | 0.33 | 2.20 | 0.56 | 0.25 |

| ANNUALIZED PERFORMANCE | | | | | | | |
|------------------------|--------|---------|---------|---------|---------|---------|------|
| | 1 Year | 2 Years | 3 Years | 4 Years | 5 Years | 6 Years | SI |
| Portfolio | 7.70 | -2.78 | -2.59 | 0.62 | 1.94 | 1.90 | 1.90 |
| Benchmark | 6.69 | -2.93 | -2.80 | -0.05 | 1.30 | 1.32 | 1.32 |
| Added Value | 1.01 | 0.15 | 0.21 | 0.67 | 0.65 | 0.58 | 0.58 |

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 (%) | 1.90 | 1.32 |
| Beta | 1.10 | 1.00 |
| Standard deviation (%) | 6.55 | 5.93 |
| Information ratio | 0.69 | n/a |
| Sharpe ratio (1.75% ¹) | 0.02 | -0.07 |

Composite, Since inception

1. Risk-free Rate of return

PORTFOLIO STRUCTURE – DURATION

| | Portfolio | Benchmark | Difference |
|-----------------------------------|-----------|-----------|------------|
| AVG coupon (%) | 3.56 | 3.24 | 0.32 |
| Yield (%) | 4.15 | 3.94 | 0.21 |
| Adjusted modified duration (Year) | 7.36 | 7.33 | 0.03 |

Modified Duration by Sector

| | | | |
|------------------------|------|------|-------|
| Cash and money market | 0.00 | 0.00 | 0.00 |
| Canada | 1.53 | 2.41 | -0.88 |
| Provincials/Municipals | 3.96 | 3.46 | 0.50 |
| Corporates | 1.88 | 1.46 | 0.42 |

Modified Duration by Term

| | | | |
|---------------------|------|------|-------|
| Short (< 5 years) | 0.53 | 1.12 | -0.59 |
| Mid (5 to 10 years) | 5.02 | 1.92 | 3.10 |
| Long (> 10 years) | 1.81 | 4.29 | -2.48 |

PORTFOLIO POSITIONING (%)²

Sector Allocation

| Sector | Portfolio | Benchmark |
|------------------------|-----------|-----------|
| Cash and money market | 0 | 0 |
| Canada | 16 | 39 |
| Provincials/Municipals | 50 | 36 |
| Corporates | 34 | 25 |

Curve Positioning

| Duration | Portfolio | Benchmark |
|---------------|-----------|-----------|
| < 5 years | 15 | 42 |
| 5 to 10 years | 73 | 29 |
| > 10 years | 12 | 29 |

Credit Rating Allocation

| Rating | Portfolio | Benchmark |
|--------|-----------|-----------|
| AAA | 17 | 41 |
| AA | 49 | 33 |
| A | 22 | 16 |
| BBB | 12 | 11 |

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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