

## INTEGRATED FIXED INCOME – CREDIT

<b>Inception Date</b> March 1, 2012	<b>Performance Benchmark</b> FTSE Canada Corporate Universe	<b>Currency</b> CAD
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### STRATEGY DESCRIPTION

With a thorough and robust approach to credit selection, this strategy focuses on generating a superior yield while preserving capital within a risk-controlled environment.

### HIGHLIGHTS

<b>Style</b>	Active fundamental bottom-up and top-down investment approach emphasizing credit research
<b>Process</b>	Integration of bottom-up and top-down analysis
<b>Expected sources of added value</b>	50% Issuer selection 35% Sector allocation 15% Duration and yield curve
<b>Turnover</b>	Moderate
<b>Duration</b>	Benchmark $\pm$ 0.3 year
<b>Strategy AUM</b>	\$8.5 Billion (As at March 31, 2021)

### INVESTMENT PROCESS

<b>Fundamental Analysis</b>	Economic and credit fundamental research supported by relative value frameworks Internal credit research focusing on balance sheets, liquidity, cash flow generation, management strategy and industry trends Multiple company meetings with access to senior management
<b>Market Analysis</b>	Analysis of market sentiment Predictive tools for credit spreads and rates Monitoring of technical factors
<b>Portfolio Construction</b>	Bottom-up: Credit research views help portfolio managers identify securities to be held in portfolios Well-structured research process with credit specialists focused on specific industries with an emphasis on primary research
<b>Risk Management</b>	Diversified portfolio with a focus on capital preservation Ensure portfolio risks are compensated by aligning alpha opportunities with risk exposures Conservative portfolio constraints on duration and credit exposure Multi-strategy approach reduces risk & increases flexibility

### WHY INVEST IN THIS STRATEGY

- > Experienced fixed income team working together for close to 20 years with specialized credit sector responsibilities
- > Proven ability to consistently outperform across market cycles
- > Well-structured research process with credit specialists focus on specific industries
- > The team's focus on yield-generating securities represents a great tool in low or rising interest rate environments
- > Systematically generating consistent excess returns across market environments

### PERFORMANCE (%)

As of June 30, 2021

PER PERIOD AND CALENDAR YEAR PERFORMANCE										
	Q2 2021	YTD	2020	2019	2018	2017	2016	2015	2014	2013
<b>Portfolio</b>	1.44	-1.91	9.20	8.49	1.23	4.13	4.29	2.47	7.66	1.13
<b>Benchmark</b>	1.28	-2.26	8.74	8.05	1.10	3.38	3.73	2.71	7.59	0.84
<b>Added Value</b>	0.16	0.35	0.46	0.44	0.13	0.75	0.56	-0.24	0.08	0.29

  

ANNUALIZED PERFORMANCE										
	1 Year	2 Years	3 Years	4 Years	5 Years	6 Years	7 Years	8 Years	9 Years	SI
<b>Portfolio</b>	1.66	4.22	5.24	4.39	4.19	4.21	4.30	4.57	4.35	4.40
<b>Benchmark</b>	0.82	3.68	4.86	3.93	3.66	3.80	3.96	4.23	4.04	4.10
<b>Added Value</b>	0.84	0.53	0.39	0.45	0.53	0.41	0.34	0.34	0.32	0.30

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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**Currency**  
CAD

### RISK/RETURN ANALYSIS (%)

	Portfolio	Benchmark
Annualized return (%)	4.40	4.10
Beta	1.01	1.00
Standard deviation (%)	3.97	3.93
Information ratio	1.37	n/a
Sharpe ratio (0.90% <sup>1</sup> )	0.88	0.81

Composite, Since inception

1. Risk-free Rate of return

### PORTFOLIO STRUCTURE – DURATION

	Portfolio	Benchmark	Difference
AVG coupon (%)	3.73	3.58	0.15
Yield (%)	2.34	2.19	0.15
Adjusted modified duration (Year)	6.61	6.76	-0.15

#### Weighted Adjusted Modified Duration by Sector

	Portfolio	Benchmark	Difference
Cash and money market	0.00	0.00	0.00
Canada	-0.10	0.00	-0.10
Provincials and Municipals	0.03	0.00	0.03
Corporates	6.66	6.76	-0.10
Communication	0.71	0.69	0.02
Energy	1.94	2.01	-0.07
Financials	1.46	1.37	0.09
Industrials	0.33	0.44	-0.11
Infrastructure	1.83	1.90	-0.07
Real Estate	0.31	0.31	0.00
Securitization	0.08	0.03	0.05

#### Weighted Adjusted Modified Duration by Term

	Portfolio	Benchmark	Difference
Short (1 to 5 years)	1.19	1.31	-0.12
Mid (5 to 10 years)	1.33	1.57	-0.24
Long (> 10 years)	4.08	3.87	0.21

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

#### Sector Allocation

Sector	Portfolio	Benchmark
Communication	8	9
Energy	21	23
Financials	39	36
Industrials	6	7
Infrastructure	15	17
Real Estate	9	7
Securitization	2	1

#### Curve Positioning

Duration	Portfolio	Benchmark
< 5 years	46	47
5 to 10 years	22	24
> 10 years	31	29

#### Credit Rating Allocation

Rating	Portfolio	Benchmark
AAA	2	1
AA	2	12
A	45	42
BBB	48	45
BB	4	0

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

### PORTFOLIO MANAGEMENT TEAM

Team member	Role	Experience
Philippe Ouellette, MSc, CFA	Senior Portfolio Manager	1995
Jeff Seaver, BA, CFA	Portfolio Manager	1990
Nicolas Normandeau, MSc, CFA	Portfolio Manager	2003

The team is supported by four analysts and benefit from the expertise of our entire fixed income team, which boasts two distinct trading desks in Montreal and Toronto.

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