

Fiera Capital's CIA Accounting Discount Curve

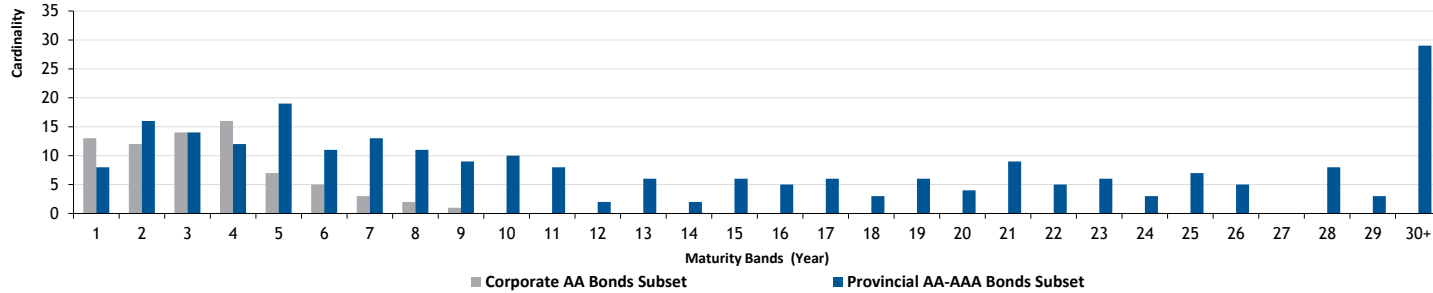
Statistics on the Provincial AA-AAA and Corporate AA Subsets

Production Date : 2020-10-30

Total # of Bonds in the Provincial AA-AAA Subset 246
Total # of Bonds in the Corporate AA Subset 73

	Corporate Bonds			Provincial Bonds		
	Number of Bonds	Average Yield-to-Maturity	Average Spread over Canada Yield Curve (bps)	Number of Bonds	Average Yield-to-Maturity	Average Spread over Canada Yield Curve (bps)
Maturity Band 1 to 4.5 years	55	0.818	53.46	50	0.492	21.24
Maturity Band 4.5 to 10.5 years	18	1.429	99.05 (A)	73	1.082	59.55 (B)
Maturity Band 10.5 to 15.5 years	0	Not available	Not available	24	1.726	95.47
Maturity Band 15.5 to 20.5 years	0	Not available	Not available	24	2.032	107.11
Maturity Band 20.5 to 25.5 years	0	Not available	Not available	30	2.190	109.15
Maturity Band 25.5 to 30.5 years	0	Not available	Not available	21	2.249	104.52
Maturity Band 30.5 and over	0	Not available	Not available	24	2.234	100.20
				Average Corporate Spread (A)		99.05
				Average Provincial Spread (B)		59.55
				Spread Ratio (R)		166.3%

Distribution of the Provincial and Corporate Bonds Subsets by Annual Maturity Bands



This document is provided for your private use and for information purposes only as of the date indicated herein and is subject to change without notice. It has been prepared and is based on information believed to be reliable. However, Fiera Capital makes no representation or warranty, express or implied, in respect thereof, takes no responsibility for any errors and omissions which may be contained therein or accepts any liability whatsoever for any loss arising from any use of or reliance on this document whether relied upon by the recipient or user or any other third party (including, without limitation, any customer of the recipient or user).

The information, opinions, estimates, projections and other materials contained herein are not to be construed as an offer to sell, a solicitation for or an offer to buy, any products or services referenced herein (including, without limitation, any commodities, securities or other financial instruments), nor shall such information, opinions, estimates, projections and other materials be considered as investment advice or as a recommendation to enter into any transaction. No part of this document or any related material and information may be reproduced in any manner without the prior written permission of Fiera Capital.

Source : Bank of America Merrill Lynch, used with permission. The Bank of America Merrill Lynch Canada Broad Bond Market Index is compiled using bond valuations provided by Statpro. Bank of America Merrill Lynch is licensing the Bank of America Merrill Lynch indices "as is," makes no warranties regarding same, does not guarantee the suitability, quality, accuracy, timeliness, and/or completeness of the Bank of America Merrill Lynch indices or any data included in, related to, or derived therefrom, assumes no liability in connection with their use, and does not sponsor, endorse, or recommend Fiera Capital or any of its products or services.

Due to special market circumstances, the synthetic portion of the Corporate AA curve based on the Spread Ratio proved to be inconsistent with actual bond yields observed in the market on October 30, 2020, such as the Corporate A-rated bond yields. As such, adjustments were required for the October 30, 2020, CIA Accounting Discount Curve.

The spot rates for maturities up to 10.5 years have been determined in accordance with the usual methodology, as per the CIA's Educational Note. Exceptionally for October 30, 2020, for maturities greater than 10.5 years, the spot rates were adjusted to make them converge to the 30-year spot rate of an A-rated corporate bonds curve. The universe of bonds used to construct the A-rated corporate bonds curve excludes quasi-governmental entities and is based on the average-rating methodology (as opposed to the best-rating methodology, which is used to select the AA-rated corporate bonds universe for the CIA Accounting Discount Curve). The resulting A-rated corporate bond universe consist of 338 bonds with minimum issue size over \$100M.

The CIA Accounting Discount Curve was then adjusted from the 10.5-year spot rate (determined in accordance with the usual methodology) to the 30-year spot rate of this A-rated corporate bonds curve using the same parametric equation that is typically used (Nelson-Siegel-Svensson). Note that the 30-year spot rate under this special methodology is 0.08% lower than the usual methodology. Note that for information purposes, the Spread Ratio in the table above is presented using the usual methodology and does not reflect the adjustments that were exceptionally applied in the long term.

Effective May 29, 2020, the provincial bond subset used to construct the CIA Accounting Discount Curve excludes two 'ultra-long' bonds that mature in roughly 100 years as the pricing of these bonds was deemed unreliable (given the apparent lack of liquidity).