

Fixed Income Monthly Monitor

AUGUST 2023



FIERACAPITAL

MARKET UPDATE

The FTSE Canada Universe Bond Index returned negative 1.1% on the month. Yields were once again moving higher with 5-30 year rates up 20+ basis points on the month. The bear moves in rates led to a steeper curve, a rare event in this cycle, as rates have generally forged higher with 2-year yields leading. An acceptance of higher for longer is pushing the market's first expected rate cut further into 2024, but uncertainty associated with the eventual landing spot for terminal is dissipating. Rate hikes seem to be working with their typical lag, but sticky inflation means the path towards target could be an extended one.

The Bank of Canada got the ball rolling on hikes, with another 25 bps move in the second week of the month. This move was widely expected and was accompanied by meaningful upgrades to inflation and growth, as well as pushing out the expected time line on inflation reverting back to the mid-point of their 1-3% range. However, Governor Macklem was more balanced in his comments and acknowledged the risk from over- or under-tightening policy has narrowed. The Bank is data dependent henceforth to determine the need for further hikes, if any.

Chair Powell also delivered a 25 bps hike, widely expected, raising the upper bound of the Fed Funds to 5.50% after a skip at the June meeting. The FOMC statement upgrade its view on growth from a modest to moderate pace and kept the potential for further hikes alive and well, consistent with the previous month's Dot Plot. At the press conference, Chair Powell was intentional in delivering the message of data dependence going forward and the need to see sustained evidence of cooling with a keen focus on labour market dynamics. The Federal Reserve's base case is a recession will be avoided.

CREDIT IN FOCUS

Corporate bonds were the best performing sector given the short duration profile and narrowing spreads. Credit spreads tightened by 7 bps, on average, with all major sectors contributing uniformly. Year-to-date, corporate spreads are now 18 bps narrower, completely shrugging off the banking crisis woes and jumping on the resiliency bandwagon. Financials have led the returns and were the only sector in July to post a positive return.

The back-up in Government of Canada rates propelled provincial returns into negative territory. Provincial bonds outperformed the former in mid- and long-term sectors as spreads were modestly tighter. The mid-section outperformed. Ontario has been a consistent strong performer as investors seek out larger and more liquid issuers.

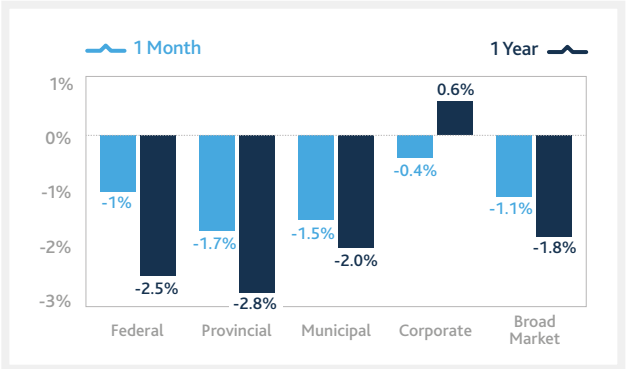
Current vs. Historical 5 Yr Ranges



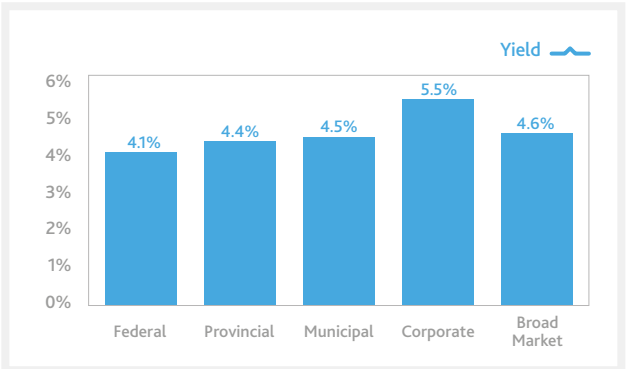
Source: Bloomberg Financial LP, FTSE Russell Global Debt Market Indices, as of July 31, 2023.

AS OF JULY 31, 2023

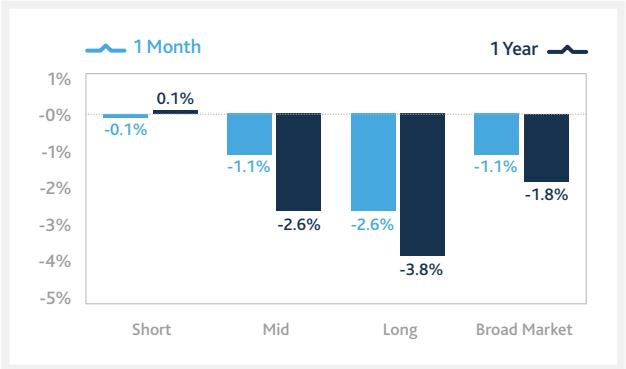
Broad Market Returns



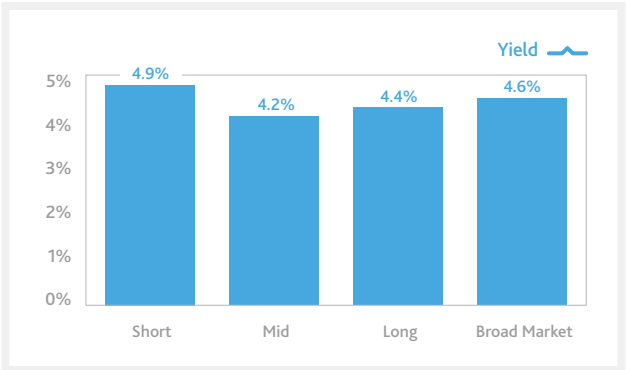
Broad Market Yields



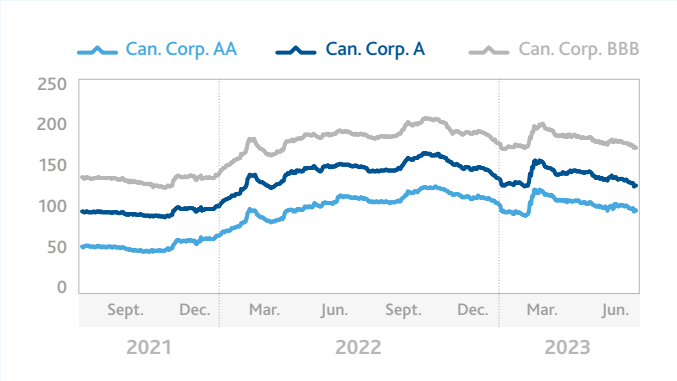
Term Bucket Returns



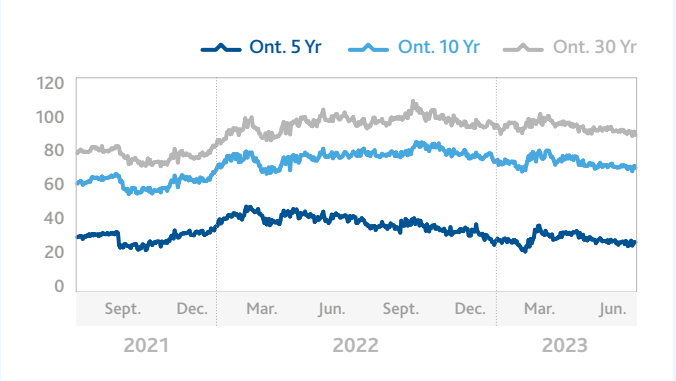
Term Bucket Yields



Canada Corporate Ratings Spreads (bps)



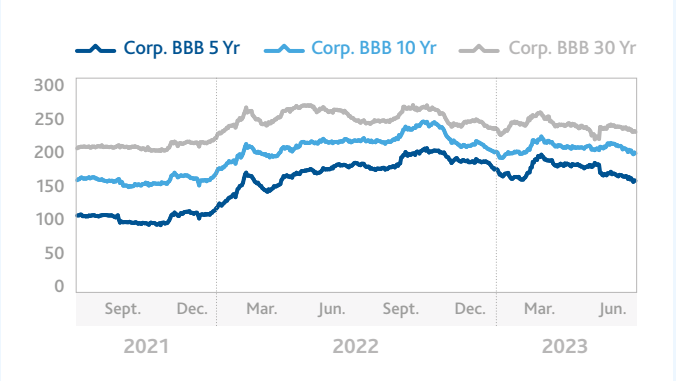
Provincial Spreads (bps)



Canada Corporate A Spreads (bps)



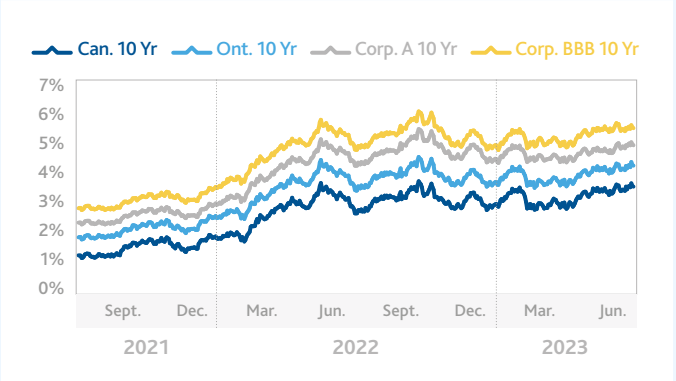
Canada Corporate BBB Spreads (bps)



Govt. of Canada Yields



Canadian Bond Yields



Yield Curve Slope (bps)



Canada Corporate & U.S. High Yield Spreads (bps)



Source: Bloomberg Financial LP.

ANNUALIZED RETURNS	MTD	QTD	YTD	1Y	3Y	5Y	7Y	10Y	Since Inception	Inception
UNIVERSE										
Fiera ASFI – Active Canadian Bonds Universe Fund	-1.26	-1.26	1.71	-1.81	-4.28	0.92	-	-	0.85	2018-01-01
FTSE Canada Universe Bond Index	-1.11	-1.11	1.37	-1.83	-4.50	0.57	-	-	0.49	
Added Value	-0.16	-0.16	0.34	0.01	0.22	0.35	-	-	0.36	
Fiera Integrated Fixed Income – Universe Fund	-1.02	-1.02	2.02	-0.81	-3.86	1.12	0.94	2.43	-	-
FTSE Canada Universe Bond Index	-1.11	-1.11	1.37	-1.83	-4.50	0.57	0.30	1.92	-	
Added Value	0.08	0.08	0.64	1.02	0.65	0.55	0.64	0.51	-	
Fiera ASFI – Strategic Fixed Income Universe Fund	-1.17	-1.17	1.66	-1.76	-4.26	-	-	-	1.15	2018-10-01
FTSE Canada Universe Bond Index	-1.11	-1.11	1.37	-1.83	-4.50	-	-	-	0.64	
Added Value	-0.06	-0.06	0.29	0.07	0.25	-	-	-	0.51	
Fiera ASFI - Core Plus Canadian Bond Universe Fund	-0.95	-0.95	2.67	-0.42	-	-	-	-	-3.73	2022-02-01
FTSE Canada Universe Bond Index	-1.11	-1.11	1.37	-1.83	-	-	-	-	-4.85	
Added Value	0.15	0.15	1.29	1.40	-	-	-	-	1.12	
Fiera SFI – Canadian Universe Bond Fund	-0.96	-0.96	2.61	-0.40	-3.03	1.99	1.74	3.11	2.98	2012-09-23
FTSE Canada Universe Bond Index	-1.11	-1.11	1.37	-1.83	-4.50	0.57	0.30	1.92	1.72	
Added Value	0.15	0.15	1.24	1.42	1.47	1.42	1.44	1.18	1.26	
Fiera ASFI – Active Universe Ethical Fund	-1.27	-1.27	1.73	-1.80	-4.23	0.91	-	-	0.84	2018-01-01
FTSE Canada Universe Bond Index	-1.11	-1.11	1.37	-1.83	-4.50	0.57	-	-	0.49	
Added Value	-0.16	-0.16	0.36	0.02	0.27	0.34	-	-	0.35	
LONG TERM										
Fiera Long Bond Fund	-2.70	-2.70	2.88	-3.69	-8.90	-8.90	-	-	-0.34	2018-01-01
FTSE Canada Long Term Bond Index	-2.59	-2.59	2.66	-3.83	-9.02	-9.02	-	-	-0.54	
Added Value	-0.11	-0.11	0.22	0.14	0.13	0.13	-	-	0.20	
Fiera ASFI – Strategic Fixed Income Long Term Universe Fund	-2.56	-2.56	3.20	-3.06	-8.59	-	-	-	-0.78	2019-02-01
FTSE Canada Long Term Bond Index	-2.59	-2.59	2.66	-3.83	-9.02	-	-	-	-1.21	
Added Value	0.03	0.03	0.54	0.77	0.43	-	-	-	0.43	
Fiera Relative Value Long Term Fixed Income Universe Fund	-2.49	-2.49	2.32	-4.09	-8.25	0.49	-	-	0.60	2018-06-11
FTSE Canada Long Term Bond Index	-2.59	-2.59	2.66	-3.83	-9.02	-0.45	-	-	-0.57	
Added Value	0.09	0.09	-0.35	-0.26	0.77	0.94	-	-	1.17	
SHORT TERM										
Fiera Integrated Fixed Income – Short Term Fund	0.00	0.00	1.36	0.89	-0.75	1.48	1.24	1.71	3.53	2000-10-01
FTSE Canada Short Term Bond Index	-0.09	-0.09	0.91	0.06	-1.14	1.11	0.84	1.36	3.29	
Added Value	0.09	0.09	0.45	0.83	0.39	0.37	0.40	0.35	0.24	
Fiera ASFI – Enhanced Short Term Fund	-0.24	-0.24	2.20	0.81	-0.52	-	-	-	-0.37	2020-07-01
75% FTSE Can. Short Term Bond / 25% FTSE Can. Mid Term Bond	-0.35	-0.35	0.87	-0.58	-1.85	-	-	-	-1.60	
Added Value	0.11	0.11	1.32	1.39	1.32	-	-	-	1.23	
Fiera Active Short Term Canadian Municipal Bond Fund	-0.47	-0.47	1.30	0.66	-0.77	1.36	1.31	-	1.49	2015-11-01
FTSE Canada Short Term Provincial Bond Index	-0.25	-0.25	0.53	-0.43	-1.29	1.06	0.78	-	0.93	
Added Value	-0.22	-0.22	0.77	1.10	0.52	0.30	0.52	-	0.56	
Fiera Integrated Fixed Income – Short and Mid Term Bond Fund	-0.37	-0.37	1.72	0.25	-1.81	1.69	1.32	-	1.71	2015-10-01
FTSE Canada Custom Benchmark	-0.44	-0.44	1.23	-0.56	-2.24	1.35	0.99	-	1.38	
Added Value	0.07	0.07	0.49	0.81	0.43	0.34	0.33	-	0.32	
CORPORATE										
Fiera Credit Fund	-0.30	-0.30	2.89	1.21	-2.13	1.91	1.92	2.90	2.97	2012-03-01
FTSE Canada All Corporate Bond Index	-0.36	-0.36	2.60	0.62	-2.60	1.58	1.49	2.61	2.72	
Added Value	0.06	0.06	0.29	0.60	0.47	0.33	0.43	0.29	0.26	
Fiera LDI Corporate Bond Fund	-1.17	-1.17	3.50	-0.21	-4.90	1.31	1.39	-	2.72	2014-07-01
FTSE Canada Custom Benchmark	-1.17	-1.17	3.39	-0.51	-4.91	1.32	1.39	-	2.91	
Added Value	0.01	0.01	0.12	0.30	0.01	-0.02	0.00	-	-0.19	
HIGH YIELD										
Fiera High Yield Bond Fund	1.02	1.02	5.05	3.25	1.70	2.47	3.44	-	3.48	2014-01-01
BofA Merrill Lynch US High Yield BB-B Constrained	1.24	1.24	5.76	2.82	1.03	2.65	3.35	-	3.53	
Added Value	-0.22	-0.22	-0.71	0.43	0.68	-0.18	0.09	-	-0.06	
MONEY MARKET										
Fiera Cash in Action Fund	0.23	0.39	0.73	0.80	0.76	1.10	0.99	0.99	-	1990-01-01
FTSE Canada 30-Day T-Bill Index	0.18	0.29	0.55	0.59	0.61	0.90	0.78	0.81	-	
Added Value	0.05	0.10	0.18	0.21	0.15	0.20	0.21	0.18	-	
Fiera Short Term Investment Fund	0.24	0.42	0.80	0.89	0.91	1.30	1.18	1.18	-	1981-02-01
FTSE Canada 91-Day T-Bill Index	0.40	0.40	2.55	4.01	1.53	1.54	1.31	1.14	-	
Added Value	-0.16	0.02	-1.75	-3.12	-0.62	-0.24	-0.13	0.04	-	
Fiera Short Term Plus Fund	0.38	0.38	2.69	4.13	1.71	1.70	1.56	1.45	2.48	1996-10-01
FTSE Canada 91-Day T-Bill Index	0.40	0.40	2.55	4.01	1.53	1.54	1.31	1.14	2.26	
Added Value	-0.02	-0.02	0.14	0.12	0.18	0.16	0.24	0.31	0.22	

Source: FTSE Russell Global Debt Market Indices, ICE BofA Merrill Lynch Indice.

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