

KEY TAKEAWAYS

- The fund's underperformance was due to a corporate bond overweight and credit spread widening, offset by gains from federal bonds and strategic duration management.
- Tactical adjustments were made in response to market uncertainties and tariff threats.
- Amid ongoing yield volatility, the bond market has positive outlook for 2025, with support from attractive risk-return profiles and potential central bank actions.

PORTFOLIO MANAGERS



David McCulla CFA

Senior Director, Portfolio Manager, Fixed Income



Alexandre Morin CFA

Senior Director, Portfolio Manager, Fixed Income

PERFORMANCE ANALYSIS

Widening credit spreads drove the fund's slight underperformance

The portfolio's overweight in corporate bonds had a negative impact on its performance, as this asset class underperformed the fixed income index owing to the widening of its risk premium and shorter duration profile. The municipal bonds in the portfolio also had an adverse effect, primarily because of their short-duration characteristics in a period of declining bond yields. Moreover, the provincial bonds in the portfolio underperformed because their spreads – especially for longer-term tenors, in which we are overweight – widened during the winter.

The federal bonds in the portfolio contributed positively, outperforming their index counterparts. Finally, our use of futures on the U.S. Treasury market to manage interest rate risk was beneficial, because bond yields decreased during the quarter.

TOP CONTRIBUTORS (QTD)

- Federal bonds
- Futures on the U.S. Treasury market

TOP DETRACTORS (QTD)

- Corporate bonds
- Provincial bonds
- Municipal bonds

3-YEAR RISK-RETURN ANALYSIS

Indicator	Fund	Index*
Beta	1.03	1.00
Standard deviation (%)	7.07	7.00
Information ratio	0.83	-
Tracking error	0.48	

PERCENTILE RANKING (GROSS RETURNS)

Period	Percentile ranking	Nb of funds in category
1 year	54	124
3 years	58	111
5 years	59	101

Source: Morningstar ratings, Canadian Fixed Income

FUND CHARACTERISTICS (as at March 31)

Characteristic	Fund	Index*
Number of holdings	573	1819
Yield to maturity	3.74	3.33
Average duration	7.64	7.19
Average coupon	3.82	3.44
Average credit rating	AL	A

* FTSE Canada Universe

PORTFOLIO ACTIVITY

We maintained an overweight position in duration and credits

We increased the portfolio's duration relative to its benchmark at the beginning of February when the first tariff threats emerged. We expect the tariffs to slow the global economy and push yields lower, although not in a linear fashion.

We increased our exposure to provincial bonds after their credit spreads widened in the recent risk-off environment.

We bought 10-year U.S. Treasuries rather than Government of Canada bonds of the same maturity, deeming the latter expensive on a relative basis.

PORTFOLIO POSITIONING

Overweight spread products and duration

Given the recent uncertainty, we still have underweight exposure to Government of Canada bonds and an overweight position in credit products of all sorts. We are overweight corporate bonds, with a preference for shorter-term, investment-grade credit. The portfolio has an overweight in provincial bonds – with contributions from the higher-yielding provinces and longer-term tenors – as well as non-rated bonds issued by Quebec municipalities, which have a low-interest rate risk combined with a higher-yield credit profile.

We think the volatility in bond yields will persist throughout 2025; therefore, we will continue to actively manage the portfolio's exposure to interest rate risk.

MARKET OUTLOOK

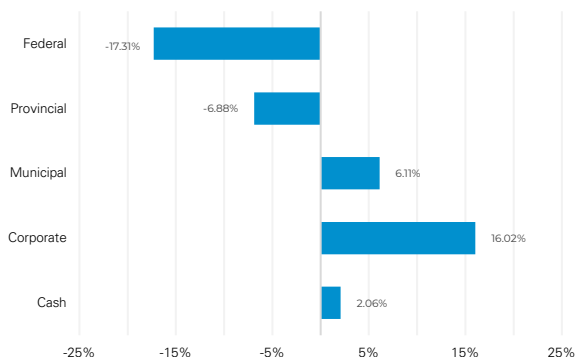
Fixed income has a very attractive risk/reward profile in these uncertain times

Our view of the bond market is positive for 2025. Even though bond yields are not as high as they were at the beginning of the year, we consider the risk-return profile of this asset class very attractive. We note that it served as a hedge in the recent bout of volatility caused by decisions by the White House. We also expect that global economic growth will continue to slow in the coming quarters, prompting central banks to keep lowering their overnight rates. Finally, bond-yield volatility is expected to continue in 2025, giving an advantage to active management of bond portfolios.

SIGNIFICANT TRANSACTIONS (Q1 2025)

Transaction	Rationale
BUY Provincial bonds	Provincial spreads are back at the high end of their range. We judge them attractive.
BUY 10-year UST vs 10-year CAN bonds	CAN bonds are expensive on a relative basis.
Increased duration of the portfolio relative to its benchmark	BUY futures on UST and Government of Canada bonds

SECTOR DEVIATIONS



TOP 5 HOLDINGS

Holding	Type of issuer	Weight (%)
iA Canadian Corporate Bond Fund	Fixed Income	26.28
Government of Canada, 3.50%, 2029-01-09	Federal Government	10.85
Government of Canada 5-year future, Jun25	Federal Government	9.60
Government of Canada, 3.250%, 2034-01-12	Federal Government	7.16
CAD/USD Currency Forward, 2025-04-24	FX	3.13

About iA Global Asset Management (iAGAM)

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