iA Global Asset Management

Fixed Income Managed Portfolio

QUARTERLY ANALYSIS

As at June 30, 2024

KEY TAKEAWAYS

- Overexposure to credit and shorter average maturities drove the portfolio's strong quarterly performance.
- We added U.S. duration exposure, sold the remainder of the iA Long Term Bond Fund, and increased the iA Bond Fund.
- We maintained long-term bond and quality credit exposure, preferring to take interest rate risk outside Canada.

PORTFOLIO MANAGERS

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PERFORMANCE ANALYSIS

The portfolio continued to outperform the benchmark

After a strong first quarter, the portfolio continued to perform well in the second quarter. In contrast to the first quarter, our positions in the core bucket were the main tailwind, as the Canadian bond market provided a better total return than its U.S. counterpart. Specifically, our underweight in the iA Bond Fund was the most positive. With the Canadian yield curve still inverted, we have confidence in our overweight in the iA Short Term Bond Fund. Additionally, our position in the iShares Core US Aggregate (AGG) ETF contributed positively. The portfolio's outperformance was due to overexposure to credit as well as the shorter average maturities of the iA Short Term Bond Fund.

The top detractors were our holdings in the iAC Loomis Multisector Bond Fund, iShares 20+ Year Treasury Bond (TLT) ETF and futures in the U.S. rates market. The U.S. bond market provided a lower total return relative to the Canadian bond market, most notably in the long end of the curve.

TOP CONTRIBUTORS

- IA Bond Fund
- IA Short Term Bond Fund
- iShares Core US Aggregate Bond (AGG) ETF

TOP DETRACTORS

- IAC Loomis Multisector Bond Fund
- iShares 20+ Year Treasury Bond (TLT) ETF
- US rates market futures

PERCENTILE RANKING (GROSS RETURNS)

Period	Percentile ranking	Nb of funds in category
1 year	77	96
3 years	N/A	N/A
5 years	N/A	N/A

Source: Morningstar ratings, Global Fixed Income

1-YEAR RISK-RETURN ANALYSIS

Indicator	Fund	Index*
Beta	1.07	1.00
Standard deviation (%)	6.77	6.29
Information ratio	0.99	-
Tracking error	0.88	-

FUND CHARACTERISTICS (as of May 31st, 2024)

Characteristic	Fund
Yield to maturity	5.47%
Average duration	5.71 yrs
Average credit rating	A-
Allocation to HY	11.0%
Allocation to IG	89.0%

* FTSE Canada Universe

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QUARTERLY ANALYSIS

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PORTFOLIO ACTIVITY

Gaining duration exposure in the U.S.

With the increase in bond yields in the first month of the quarter, we added to our duration exposure in the U.S. by increasing our weight in the Loomis Global Multisector Bond Fund, which we financed by the sale of some of the portfolio's holdings in AGG (ETF). We also increased our exposure to the long end of the U.S. yield curve by adding some TLT (ETF), which we also financed by selling units of AGG (ETF). We took profits on our exposure to German bond yields after they outperformed their U.S. counterparts during the selloff in April.

In Canada, we sold the remainder of our position in the iA Long Term Bond Fund, with the rationale that Canadian long-term interest rates became very expensive when the bond market went through the critical index extension at the beginning of June. We used the proceeds to add to the iA Bond Fund.

PORTFOLIO POSITIONING

Long duration bias and quality credit positioning

Bond market volatility will continue to be the dominant theme for the remainder of the year, offering us multiple opportunities to adjust the portfolio's interest rate risk exposure. We still have a positive view on longer-term bonds, given that we think the economy will continue to slow gradually in the coming quarters. We also expect the yield curve to continue to normalize slowly because the Bank of Canada has only just begun its easing cycle.

Regarding credit exposure, we prefer quality over yield, having only a very modest exposure to the high-yield market. Additionally, we prefer to take interest rate risk outside Canada, with the rationale that Canadian bond yields are still expensive relative to other markets.

MARKET OUTLOOK

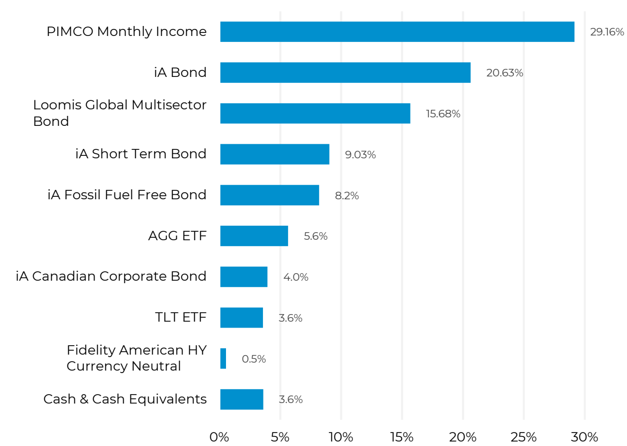
We see room for bond yields to continue their downward path

Our outlook for the fixed income market remains positive. Bond yields are still near multi-decade highs; therefore, we think they offer a very attractive risk/reward profile. Supporting this view is our expectation that growth in Canada will slow in 2024 and that inflation will move lower still, causing the Bank of Canada to reduce its overnight rate further. Against that backdrop, we expect ongoing yield volatility, which will give us the opportunity to be both active and tactical in our portfolio positioning.

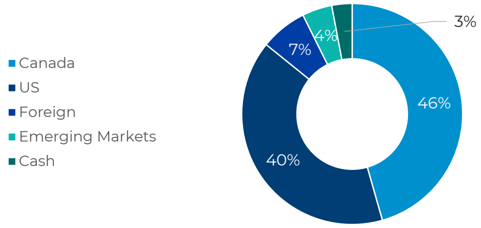
SIGNIFICANT TRANSACTIONS (Q2 2024)

Transaction	Rationale
Sold our exposure to the iA Long Term Bond Fund	Long term interest rates became very expensive in Canada as we approached the important index duration extension at the start of June.
Added exposure to our iA Bond Fund	We prefer having less duration in Canada. The purchase was financed by the sale of our iA Long Term Bond Fund.
Sold our German bond yields exposure	German bond yields performed better than their U.S. counterpart in the selloff that happened in April. We took the opportunity to take profit on that position.
Added to our exposure to Loomis Global Multisector Bond Fund	We wanted to add to our credit exposure in the U.S.. That purchase was financed by the sale of some of our AGG (ETF) holding.

FUND ALLOCATION



GEOGRAPHIC ALLOCATION



About iA Global Asset Management (iAGAM)

ROOTED IN HISTORY, INNOVATING FOR THE FUTURE.

A magnet for top investment talent, iA Global Asset Management is one of Canada's largest asset managers, with over $100 billion under management across institutional and retail mandates. We help investors achieve their long-term wealth creation goals through innovative investment solutions designed for today's complex markets. We are building upon our historic success, supporting the growth of our core strengths, and exploring innovative ways to meet investor needs. We are rooted in history and innovating for the future. Our experienced portfolio managers use a proprietary investment methodology, rooted in iAGAM's unifying commitment to strong risk management, analytical rigor and a disciplined, process-driven approach to asset allocation and security selection.

General Disclosures

The portfolio managers' comments on the fund's relative performance are based on gross returns (before fees). The information and opinions contained in this report were prepared by iA Global Asset Management ("iAGAM"). The opinions, estimates and projections contained in this report are those of iAGAM as of the date of this report and are subject to change without notice. iAGAM endeavours to ensure that the contents have been compiled or derived from sources that we believe to be reliable and contain information and opinions that are accurate and complete. However, iAGAM makes no representations or warranty, express or implied, in respect thereof, takes no responsibility for any errors and omissions contained herein and accepts no liability whatsoever for any loss arising from any use of, or reliance on, this report or its contents. There is no representation, warranty, or other assurance that any projections contained in this report will be realized. There is no representation, warranty, or other assurance that any projections contained in this report will be realized. The pro forma and estimated financial information contained in this report, if any, is based on certain assumptions and analysis of information available at the time that this information was prepared, which assumptions and analysis may or may not be correct. This report is not to be construed as an offer or solicitation to buy or sell any security. The reader should not rely solely on this report in evaluating whether or not to buy or sell securities of the subject company. The reader should consider whether it is suitable for your particular circumstances and talk to your financial advisor.