

Bond (iA)

KEY TAKEAWAYS

- Longer-duration positioning and selection in provincial bonds contributed to strong performance in the third quarter.
- We were active in provincial bonds and added the iA Short Term Private Debt Fund for extra yield.
- Our allocation to shorter-duration corporate and municipal bonds subtracted some value.

PORTFOLIO MANAGERS



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PERFORMANCE ANALYSIS

Strong performance during the quarter

The portfolio was underweight in the Federal segment, which underperformed the benchmark. However, the bonds held in the portfolio performed better in the context of a declining yield environment and a steepening yield curve. The provincial exposure also provided a tailwind. Being underweight in that sector, the portfolio's bonds had, on average, longer maturities than those in the benchmark, leading to strong performance in the declining yield environment.

The municipal and corporate bonds in the portfolio negatively impacted performance in the third quarter. We were overweight in non-rated municipal bonds and corporate bonds with short maturities. As bond yields declined during the period, these bonds underperformed relative to the benchmark, resulting in a drag on the fund's performance.

TOP CONTRIBUTORS (QTD)

- Federal bonds
- Provincial bonds

TOP DETRACTORS (QTD)

- Municipal bonds
- Corporate bonds

3-YEAR RISK-RETURN ANALYSIS

Indicator	Fund	Index*
Beta	1.01	1.00
Standard deviation (%)	7.47	7.35
Information ratio	1.03	-
Tracking error	0.50	

PERCENTILE RANKING (GROSS RETURNS)

Period	Percentile ranking	Nb of funds in category
1 year	44	155
3 years	51	135
5 years	69	117

Source: Morningstar ratings, Canadian Fixed Income

FUND CHARACTERISTICS

Characteristic	Fund	Index*
Number of holdings	504	1772
Yield to maturity	3.80	3.48
Average duration	7.57	
Average coupon	3.71	3.44
Average credit rating	AAL	AA

* FTSE Canada Universe

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PORTFOLIO ACTIVITY

Maintaining an overweight position in duration and credits

The portfolio had an overweight duration position compared to its benchmark as we expected the economy to continue to slow down. The yield curve steepened, and bond yields went down as the Bank of Canada delivered 2 more rate cuts in the quarter and economic data generally came in lower than expected.

We added to our provincial exposure during the quarter as we deemed spreads attractive. We modestly increased the overweight investment grade credit, with a preference for shorter term tenors.

We did our first purchase in the newly launched iA Short Term Private Debt Fund as it will increase the overall yield of our portfolio while diversifying its risks.

PORTFOLIO POSITIONING

Overweight spread products and duration

We maintain an 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 exposure to provincial bonds – with that overweight coming from the higher yielding provinces and longer-term tenors. We are overweight non-rated bonds issued by municipalities in the province of Quebec. We like this credit as it bears a low-interest rate risk combined with a higher yield. Also, we recently added an exposure to short term private debt.

Finally, we will continue to actively manage the portfolio's interest rate risk actively as volatility is still prevalent in the bond market, offering us multiple opportunities to add value for our clients.

MARKET OUTLOOK

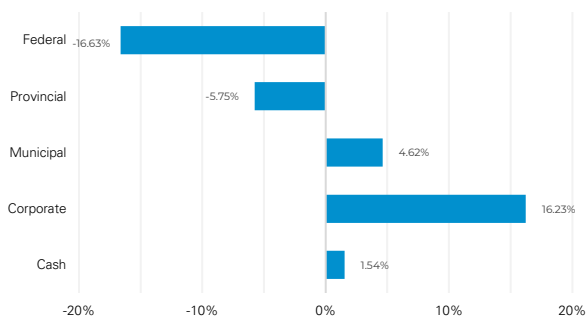
We see room for bond yields to continue falling

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

SIGNIFICANT TRANSACTIONS (Q3 2024)

Transaction	Rationale
BUY Provincial Bonds	Provincial bond spreads are cheap, especially in the long end.
BUY short-term corporate bonds	We like the extra yield these securities provide as well as their low-interest rate risk
SELL rated municipal bonds	The extra yield from these securities is low.
BUY iA Short Term Private Debt Fund	We increased the extra yield of our fund while diversifying risk.

SECTOR DEVIATIONS



TOP 5 HOLDINGS

Holding	Type of issuer	Weight (%)
Government of Canada, 3.25%, 2034-12-01	Federal Government	8.43
Government of Canada, 3.50%, 2029-09-01	Federal Government	8.11
5-Year Canadian Bond Future, 2024-12-18	Futures	6.52
Government of Canada, 2.000%, 2032-06-01	Federal Government	5.37
Province of Quebec, 4.45%, 2034-09-01	Provincials	3.10

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

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