

# Fixed Income Managed Portfolio

## QUARTERLY ANALYSIS

As at September 30, 2024

### KEY TAKEAWAYS

- Strong performance driven by longer-duration funds, despite some detractors in shorter-duration securities.
- We increased our North American interest rate exposure and added Canadian private debt for higher yield and diversification.
- We are maintaining a long-duration bias and a quality credit positioning, given the economic slowdown and rate cuts.

### PORTFOLIO MANAGERS



**David McCulla** CFA

Senior Director, Portfolio Manager, Fixed Income



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Senior Director, Portfolio Manager, Fixed Income

### PERFORMANCE ANALYSIS

#### Continued strong performance in the quarter

The portfolio maintained its year-to-date trend and performed well against its benchmark during the quarter. As bond yields fell, longer-duration funds provided a tailwind for performance. Consequently, the portfolio's holdings in the Loomis Global Multisector Bond Fund, the iA Bond Fund, the iA Fossil Fuel Free Fund, and the iShares 20+ Year Treasury Bond ETF all affected performance positively.

The top detractors for the quarter were the portfolio's holdings in the PIMCO Monthly Income Fund, the iA Short Term Bond Fund, and the iShares Core U.S. Aggregate Bond ETF. The lower-yield environment adversely affected these shorter-duration securities and funds. Additionally, the portfolio's use of derivatives linked to the U.S. bond market detracted from value.

#### TOP CONTRIBUTORS

- IA Bond Fund
- IAC Loomis Multisector Bond Fund
- iShares 20+ Year Treasury Bond (TLT) ETF
- Option strategies in the U.S. rates market

#### TOP DETRACTORS

- IA Short Term Bond Fund
- PIMCO Monthly Income Fund
- iShares Core US Aggregate (AGG) ETF
- U.S. rates market futures

#### PERCENTILE RANKING (GROSS RETURNS)

Period	Percentile ranking	Nb of funds in category
1 year	32	103
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	1.03	1.00
Standard deviation (%)	5.99	5.80
Information ratio	2.42	-
Tracking error	0.69	-

\* FTSE Canada Universe

#### FUND CHARACTERISTICS (as at August 31, 2024)

Characteristic	Fund
Yield to maturity	4.69%
Average duration	5.25 yrs
Average credit rating	A+
Allocation to HY	9.8%
Allocation to IG	90.2%

# Fixed Income Managed Portfolio

## QUARTERLY ANALYSIS

As at September 30, 2024

### PORTFOLIO ACTIVITY

#### Increased exposure to interest rates in the U.S. and private debt in Canada

Given our higher risk/return expectations for North American bond yields, we increased the fund's Canada and U.S. interest rate exposure by reducing the allocation to the Loomis Global Multisector Bond Fund, which has significant exposure outside North America. The proceeds of the sale were used to boost the portfolio's allocation to the iShares Core US Aggregate Bond ETF and the iA Bond Fund.

In Canada, we purchased the newly created iA Short Term Private Debt Fund to enhance the portfolio's overall yield while adding a layer of diversification. We financed the purchase by selling the iA Corporate Bond Fund. Our preference for shorter-duration Canadian corporate investment-grade exposure is expressed through the short-term securities held by the new Private Debt Fund.

### PORTFOLIO POSITIONING

#### Maintaining a long-duration bias and a quality credit positioning

Bond market volatility has been a prevailing theme for several years and will continue to dominate in the fourth quarter. This volatility presents numerous opportunities for us to adjust the portfolio's interest rate risk exposure. We have a positive outlook on bonds, because we think the economy will continue to slow gradually. We also expect the yield curve to keep normalizing as the Bank of Canada proceeds with its rate-cutting cycle.

Regarding credit exposure, we continue to prioritize quality over yield, given that sub-investment-grade corporate spreads remain historically low.

Finally, with the recent selloff in the North American bond market, we prefer to take on interest rate risk here, in the expectation that the Fed and the BoC will both continue their rate-cutting cycles.

### MARKET OUTLOOK

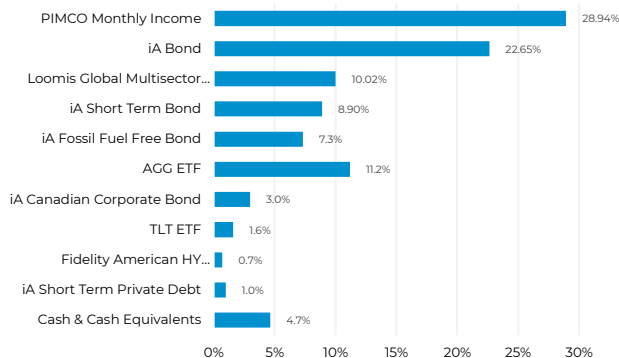
#### We see room for bond yields to continue their downward path

Our outlook on the fixed income market remains positive. With bond yields still hovering around multi-decade highs, we think they offer a very attractive risk/reward profile. This view is supported by our expectation that Canada's economic growth will continue to slow in the coming quarters and that inflation will decline further, prompting the Bank of Canada to reduce its overnight rate. In this context, we think ongoing yield volatility will provide us with opportunities to be both active and tactical in our portfolio positioning.

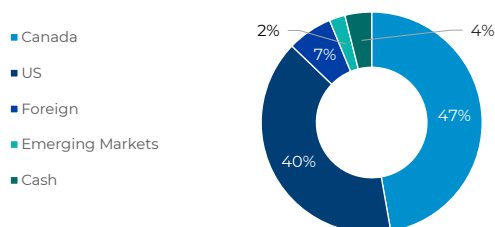
### SIGNIFICANT TRANSACTIONS (Q3 2024)

Transaction	Rationale
Purchased the iA Short Term Private Debt Fund	This fund increases the overall yield of the portfolio while diversifying its risk. The purchase was financed by the sale of the iA Corporate Bond Fund.
Added exposure to the iA Bond Fund	The preference is to have less duration exposure outside North America. The purchase was financed by a reduction in allocation to the Loomis Global Multisector Bond Fund.
Reduced exposure to the Loomis Global Multisector Bond Fund	The goal is to increase the portfolio's duration exposure to North America. The proceeds were used to fund exposure to the iA Bond Fund and the iShares Core US Aggregate Bond ETF.

### FUND ALLOCATION



### GEOGRAPHIC ALLOCATION (as at August 31, 2024)



## 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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