

## KEY TAKEAWAYS

- Corporate and municipal bonds drove gains amid rising bond yields.
- We maintained an overweight in duration and credits and adjusted our provincial and municipal bond exposure.
- The outlook for the bond market in Q1 2025 is positive, with an attractive risk-reward profile.

## PORTFOLIO MANAGERS



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## PERFORMANCE ANALYSIS

### Corporate and municipal bonds drive gains amid rising bond yields

The portfolio's overweight in corporate bonds, a positioning that was maintained throughout the year, was favourable to performance as this asset class outperformed the fixed income index owing to its shorter duration profile and compression of corporate spreads during the period. Additionally, most of the municipal bonds owned in the portfolio were issued by non-rated Quebec municipalities with a short-duration profile and also performed well in a context of rising bond yields.

Federal and provincial bonds detracted from the return. In both cases, the portfolio held a lower percentage than its benchmark. Even so, the longer maturity profile of our holdings in these two segments lagged the benchmark as bonds yields rose during the quarter.

#### TOP CONTRIBUTORS (QTD)

- Corporate bonds
- Municipal bonds

#### TOP DETRACTORS (QTD)

- Provincial bonds
- Federal bonds

#### 3-YEAR RISK-RETURN ANALYSIS

Indicator	Fund	Index*
Beta	1.02	1.00
Standard deviation (%)	7.49	7.35
Information ratio	1.14	-
Tracking error	0.50	

#### PERCENTILE RANKING (GROSS RETURNS)

Period	Percentile ranking	Nb of funds in category
1 year	66	160
3 years	54	145
5 years	66	128

Source: Morningstar ratings, Canadian Fixed Income

#### FUND CHARACTERISTICS (as December 31st)

Characteristic	Fund	Index*
Number of holdings	565	1783
Yield to maturity	3.82	3.58
Average duration	7.45	7.26
Average coupon	3.71	3.44
Average credit rating	AH	AA

\* FTSE Canada Universe

### PORTFOLIO ACTIVITY

#### We maintained an overweight position in duration and credits

The portfolio had a longer duration relative to its benchmark because we expected the economy to continue to slow and yields to come down. Despite a high level of volatility during the quarter, the yield curve remained unchanged, and bond yields increased, even though the Bank of Canada and the Federal Reserve cut their policy rates.

We reduced our exposure to provincial bonds, judging that their credit spreads had compressed significantly. We also increased our exposure to municipal bonds, given our favourable opinion of this bond class. Finally, we halved our exposure to 30-year rates in favour of 10-year rates, deeming the former to have become relatively expensive.

### PORTFOLIO POSITIONING

#### Overweight spread products and duration

As was the case for most of 2024, we maintained 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 still has a slight overweight in provincial bonds – with contributions from the higher-yielding provinces and longer-term tenors. We are overweight non-rated bonds issued by Quebec municipalities. We like their low interest-rate risk, combined with their higher-yield credit profile.

Volatility in bond yields will persist in 2025. Consequently, we will continue to manage the portfolio's exposure to interest-rate risk actively.

### MARKET OUTLOOK

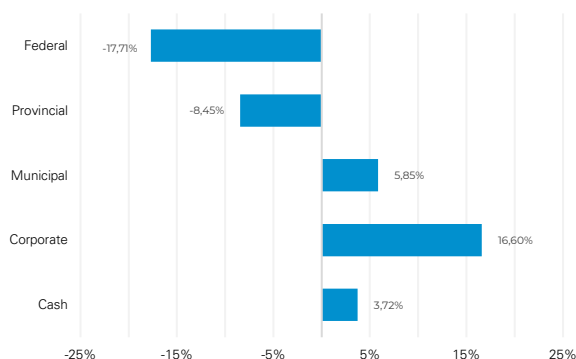
#### Fixed income still has a very attractive risk/reward profile

Our view of the bond market remains positive for 2025. With bond yields approaching the highs observed in October 2023, we consider the risk-return profile of this asset class very attractive. 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 keep lowering its overnight rate. Finally, bond-yield volatility is expected to continue in 2025, providing us with multiple opportunities to position the portfolio to take advantage of it.

### SIGNIFICANT TRANSACTIONS (Q4 2024)

Transaction	Rationale
SELL Provincial bonds	Provincial bond spreads became expensive, especially in the long end.
BUY non-rated municipal bonds	We like the extra yield these securities provide, combined with their low interest-rate risk profile.
SELL 30-year yields vs 10-year yields	30-year yields became relatively expensive during the quarter.

### SECTOR DEVIATIONS



### TOP 5 HOLDINGS

Holding	Type of issuer	Weight (%)
iA Canadian Corporate Bond Fund	Fixed Income	24.59
Government of Canada, 3.250%, 2034-12-01	Federal Government	7.97
Government of Canada, 2.000%, 2032-06-01	Federal Government	5.97
Province of Quebec, 4.450%, 2034-09-01	Provincial	4.01
Currency forwards (CAD)	FX	2.84

## 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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