

# Cidel Canadian Fixed Income



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The Canadian Fixed Income strategy is designed for investors seeking safety of capital and a consistent income stream. Investors benefit from the strategy's contribution to reduced overall volatility when deployed in a broader portfolio.

## Overview

**The Investment** is a core fixed income portfolio consisting of high quality, investment-grade government and corporate debt issues.

**The Objective** is to provide a consistent income stream while safe-guarding capital.

**The Investment Philosophy** is to use careful credit research to identify the best holdings in investment-grade bonds to achieve consistent and stable performance. We believe in the importance of a dependable fixed income mandate as part of any investment portfolio.

## Market Commentary

The Canadian economy has shown signs of improvement recently, a trend acknowledged by the Bank of Canada. This brought forward expectations for an increase in policy rates catching the bond market flat footed. This caused yields for short- and mid-maturity bonds to rise. Conversely, long-term bond yields have fallen, propelled lower by an unrelenting demand for income on the part of investors and declining inflation. As a result, the yield curve flattened and bonds in the mid-term area of the yield curve underperformed. The portfolio is weighted more towards the mid-term part of the yield curve and as a result, it underperformed its benchmark, which was up 1.2% during the quarter. The key focus looking forward is inflation because it is inflation that will determine the pace at which central banks will remove their stimulus initiatives. Although falling and low the Federal Reserve Board and the Bank of Canada view the weak inflation data as a temporary phenomenon allowing them to continue on their slow path of removing monetary stimulus by increasing rates and/or unwinding the Fed's \$4.5 trillion balance sheet, which points to higher rates.

## The Process

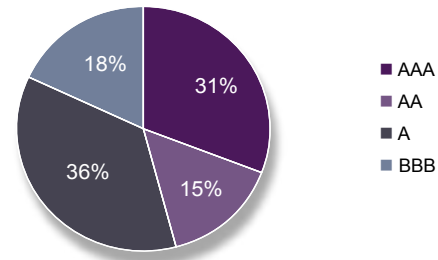
**Interest Rate Anticipation.** Using research to optimally position the portfolio for current and future interest rate environments.

**Credit Analysis.** Exhaustive bottom-up analysis of investment-grade bond issues, identifying undervalued bonds in the market.

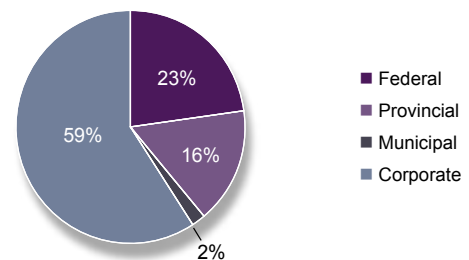
**Portfolio Construction.** Allocate optimal sector and credit quality weightings, actively managed throughout the business cycle.

KEY CHARACTERISTICS	Portfolio	Benchmark
Q2 Return	0.7%	1.1%
YTD	2.2%	2.4%
1 Year (Annualized)	-0.4%	0.0%
3 Year (Annualized)	3.7%	3.8%
5 Year (Annualized)	3.2%	3.3%
Since Inception (Annualized)	7.5%	7.3%
Duration	7.4	7.6
Current Yield	2.7%	3.0%

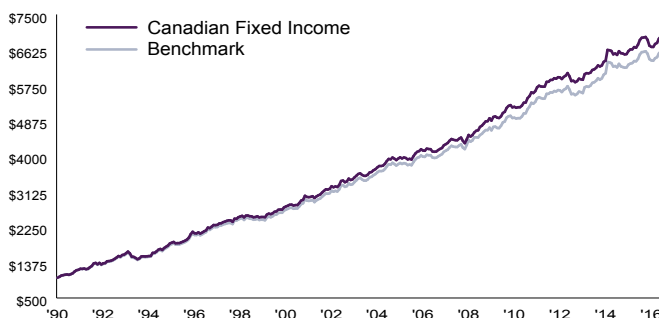
## CREDIT RATINGS



## ISSUER



## GROWTH OF \$1,000 VS. BENCHMARK



ANNUAL PERFORMANCE (%)	YTD	2016	2015	2014	2013	2012	2011	2010	2009	2008	Inception
Portfolio	2.2%	1.5%	3.8%	8.0%	-1.0%	4.3%	9.2%	7.0%	7.8%	5.3%	7.5%
Benchmark	2.4%	1.7%	3.6%	8.8%	-1.2%	3.6%	9.7%	6.7%	5.4%	6.4%	7.3%

## Toron AMI Canadian Fixed Income Fund

Historic performance should not be interpreted as a guarantee of future results. Performance figures are based on total returns which are time-weighted and geometrically linked (meaning that performance is not influenced by the timing of portfolio additions or withdrawals and is calculated on a compounded basis). Toron AMI and Benchmark performance is gross of applicable management fees. Benchmark is the FTSE/TMX Universe Bond Index. Toron Asset Management International and Cidel Financial Group are operating names of Cidel Asset Management Inc.