STRATEGY PHILOSOPHY

The Long Term Bond strategy generally holds securities from the FTSE Long Term Index, and focuses on tactical deviations compared to the benchmark. These deviations are derived from a thorough analysis performed by our experienced in-house team. By nature, these deviations are grouped in 4 value added sources, and are reviewed monthly through a series of committees. Most of the time, the portfolio has a higher yield-to-maturity than the benchmark (''carry'') due to quality credit stemming mostly from provincial, municipal and corporate bonds.

ANALYSIS

FUNDAMENTAL	TECHNICAL	SENTIMENT
SEASONALITY	ESG INVESTING	MULTI ASSET CLASS

SOURCES OF VALUE-ADDED

DURATION, SECTORS, CURVE, PROVINCIAL AND CORPORATE SELECTION, ASSET ALLOCATION

KEY POINTS

Style	Active management
Process	Top-down approach
Duration	-1.5 years to +2.5 years
Benchmark Index	100% Long Term as at December 31, 2020
Value Added Objective	0.55% value added over a 4-year period

RISK MEASURES

	4 years	5 years	Since Inception*
Information Ratio	1.0	0.9	0.1
Sharpe Ratio	1.0	0.9	1.0
Batting average – monthly			80%
Positive VA average (in bps)			47
Negative VA average (in bps)			-60

The risk measures as of December 31, 2020.
* Mandate inception date: July 2009.

INVESTMENT PROCESS

		Weight
1	Systematic Management (Long Term Strategic Bias)	20%
2	Quantitative Management (Optimization)	10%
3	Active Management (Tactical Decision)	55%
4	Security Selection (*Big Data* System)	15%
	Value Added Objective (%):	0.55

PORTFOLIO CONSTRUCTION

	Overweight Quality Credit	Centered Curve Positioning
1. Systematic Management	Provincial, municipal and corporate bonds are favored compared to the benchmark index.	A centered rate curve positioning should provide a higher yield-to-maturity in most economic environments, given the convexity of the curve.
2. Quantitatve Management	The portfolio manager can refer to the Optimum Optimizer, an internal tool used for bond selection.	
3. Active Management	Through a rigorous process where discipline and systematic thinking are the basis of all our committees, the portfolio managers find a consensus on the range of tactical deviations to put in place compared to the benchmark's characteristics. Each value added source is subject to four different types of analysis: Fundamental, Technical, Sentiment and Seasonality.	
4. Security Selection	The *Big Data* System is a technological platform which helps decision-making and which enhances fundamental and traditional macroeconomic approaches. This system allows us to assess which markets hold the most attractive securities. It allows us to build a portfolio of corporate bonds (and preferred shares, depending the mandate) which offers the best potential value add amongst active issuers in the market.	

PRI | Principles for Responsible Investment