

STRATEGY PHILOSOPHY

The Short & Medium Term Bond strategy generally holds securities from the FTSE Short 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



KEY POINTS

Style	Active management
Process	Top-down approach
Duration	-1.5 years to +1.5 years
Benchmark Index	FTSE: 2.6% 91-Day T-Bills, 97.4% Short Term as at Dec. 31, 2020
Value Added Objective	0.35% value added over a 4-year period

PORTFOLIO CONSTRUCTION

1. Systematic Management	Overweight Quality Credit	Curve Positioning
	Provincial, municipal and corporate bonds are favored compared to the benchmark index.	A strategic rate curve positioning should provide a higher yield-to-maturity in most economic environments.
2. Quantitative 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 <i>Big Data</i> 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.	

RISK MEASURES

	4 years	5 years	Since Inception *
Information Ratio	1.4	1.8	0.4
Sharpe Ratio	2.1	2.1	2.0
Batting average – monthly			75%
Positive VA average (in bps)			55
Negative VA average (in bps)			-40

The risk measures as of December 31, 2020.
 * Mandate inception date: December 2000.

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 (<i>Big Data</i> System)	15%
Value Added Objective (%):	0.35