

# Bond (iA)

As at March 31, 2026

# Quarterly Analysis

## KEY TAKEAWAYS

- Our underweight in federal bonds and exposure to U.S. high-yield bonds detracted from absolute and relative results as spreads widened.
- As inflation concerns pushed yields higher, we tactically increased duration by adding 5-year U.S. Treasury futures and we increased exposure to higher-yielding government bonds (Mexico, New Zealand, and Australia).
- Volatility is expected to remain elevated, underscoring the importance of closely monitoring oil-driven inflation pressures and staying agile on duration and credit.

## PORTFOLIO MANAGER



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Fixed Income

## PERFORMANCE ANALYSIS

### Geopolitical volatility weighs on performance

The fund slightly underperformed its benchmark in the first quarter amid heightened market volatility. Escalating geopolitical tensions, particularly related to the Iran War, prompted investors to seek safer assets and reduce their exposure to riskier segments of the bond market. This context adversely affected high-yield bonds, with our holdings in the U.S. high-yield ETF (SJNK) detracting from performance as credit spreads widened.

The fund also underweighted federal government bonds, which performed well in the risk-off environment. In addition, our bond holdings outside North America underperformed, as global risk aversion weighed on international fixed-income markets.

These headwinds were partly offset by positive contributions from short-term Canadian corporate bonds and nonrated municipal bonds, which provided resilience and stable income.

#### TOP CONTRIBUTORS (QTD)

- Canadian corporate bonds
- Municipal bonds

#### TOP DETRACTORS (QTD)

- Underweight federal bonds
- High-yield ETF (SJNK)
- Mexican and New Zealand government bonds

#### 3-YEAR RISK-RETURN ANALYSIS

Indicator	Fund	Index*
Beta	1.04	1.00
Standard deviation (%)	5.45	5.24
Information ratio	1.08	-
Tracking error	0.46	-

#### PERCENTILE RANKING (GROSS RETURNS)

Period	Percentile ranking	Nb of funds in category
1 year	78	148
3 years	64	133
5 years	65	118

Source: Morningstar ratings, Canadian Fixed Income

#### FUND CHARACTERISTICS

Characteristic	Fund	Index*
Number of holdings	573	1936
Yield to maturity	4.24	3.68
Average duration	7.18	6.83
Average coupon	3.97	3.47
Average credit rating	AL	A

\* FTSE Canada Universe



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## PORTFOLIO ACTIVITY

### Active duration management amid geopolitical volatility

We adjusted our interest rate exposure during the quarter in response to the sharp repricing of government bonds after the Iran conflict escalated. Rising oil prices and renewed inflation concerns pushed yields higher, creating more attractive valuation opportunities across the yield curve. We increased duration by adding 5-year U.S. Treasury futures, allowing us to efficiently gain exposure to the intermediate part of the curve, which is particularly sensitive to changes in monetary policy expectations. We also added exposure to government bonds in Mexico, Australia, and New Zealand to enhance the portfolio's average yield. Overall, these adjustments realigned the portfolio toward a slightly longer duration stance, while maintaining flexibility and positioning the fund to benefit, should geopolitical risks ease or economic growth slow.

## PORTFOLIO POSITIONING

### Adjusting duration after the rate selloff

We began the year with a short-duration stance amid uncertainty around monetary policy and renewed inflation risks. After the Iran conflict escalated, the sharp selloff in government bonds—driven by higher oil prices and rising inflation expectations—pushed yields meaningfully higher and created a more attractive entry point in sovereign markets. In response, we shifted toward a slightly long-duration position to capture improved valuations and to enhance resilience, should geopolitical risks ease or growth momentum soften, while maintaining flexibility. We kept our focus on credit strategies, particularly corporate bonds, with an emphasis on shorter-term investment-grade securities. In the United States, high-yield exposure was obtained mainly through an ETF and complemented by selected Canadian issuers. The portfolio also held a significant overweight in municipal bonds, favouring nonrated Quebec issuers.

## MARKET OUTLOOK

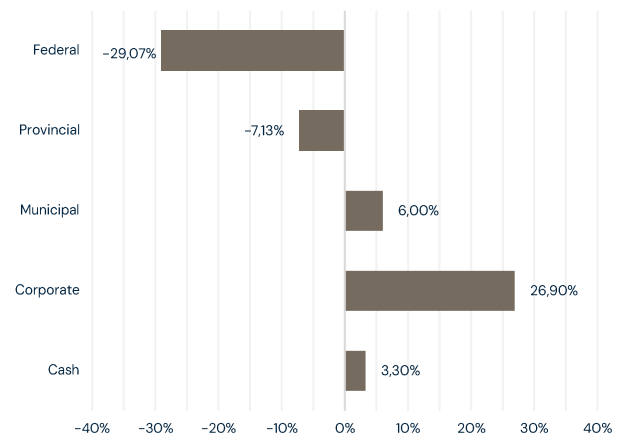
### Geopolitical tensions and oil-driven inflation risks

Geopolitical tensions are still the key driver of fixed-income markets, with the Iran conflict adding significant uncertainty. The risk of supply disruptions pushed oil prices higher, raising concerns that inflation expectations could reaccelerate. This dynamic contributed to the recent sharp rise in government yields, as markets reassessed the likelihood and timing of future rate cuts. At the same time, wider credit spreads reflected increased risk aversion, particularly in sectors sensitive to energy volatility. In North America, central banks are still cautious as they balance moderating inflation with persistent geopolitical risks. Volatility is likely to stay elevated, reinforcing the need to watch oil-driven inflation pressures closely and maintain a nimble approach to duration and credit.

## SIGNIFICANT TRANSACTIONS (Q1 2026)

Transaction	Rationale
BOUGHT CBOT 5-year U.S. Treasury notes	Take advantage of the market's rapid reassessment of Federal Reserve policy expectations.
BOUGHT 10-year New Zealand government bonds versus Government of Canada bonds	Increase overall portfolio yield with AAA-rated government securities.
BOUGHT 4-year Mexican government bonds versus Government of Canada bonds	Increase overall portfolio yield with investment-grade securities.

## SECTOR DEVIATIONS



## TOP 5 HOLDINGS

Holding	Type of issuer	Weight (%)
iA Canadian Corporate Bond Fund	Fixed income	22.25
Montreal Exchange 5-year Canadian Bond Future March 2031	Futures	10.38
CBOT 5-year U.S. Treasury Note Future August 2030	Futures	3.79
Government of Canada, 3.50%, 12-1-2057	Federal government	3.17
Government of Canada, 3.25%, 12-1-2035	Federal government	3.17

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