Global Asset Management

Fixed Income Management Portfolio

As at December 31, 2025

Quarterly Analysis

KEY TAKEAWAYS

- Credit allocation drove a strong quarterly performance, with high-yield strategies outperforming despite challenging economic conditions.
- Portfolio adjustments focused on overweight credit and reduced duration to mitigate interest rate volatility and enhance resilience.
- We continued to underweight duration and overweight credit amid persistent geopolitical and policy uncertainties.

PORTFOLIO MANAGER

Alexandre Morin CFA

Senior Director, Portfolio Manager, Fixed Income

PERFORMANCE ANALYSIS

Strong credit performance despite market headwinds

The portfolio delivered a strong performance in the fourth quarter, driven primarily by its meaningful allocation to credit markets—particularly lower-rated segments that continued to offer attractive yield premiums. Key contributors included strategies such as PIMCO Monthly Income, Fidelity High Yield, and Loomis. Despite a challenging backdrop marked by the longest U.S. government shutdown on record, rising layoffs, subdued consumer sentiment, and a persistent stream of negative headlines, risk assets continued to advance throughout the quarter.

The only area that detracted from performance was our exposure to government bonds on both sides of the border. These positions were most affected by the sharp rise in interest rates during the final month of the year. Given their longer maturities and relatively low carry, they lagged other segments of the portfolio in a rising-yield environment.

PERCENTILE RANKING (GROSS RETURNS)

Period	Percentile ranking	Nb of funds in category
1 year	9	49
3 years	20	40
5 years	N/A	N/A

Source: Morningstar ratings, Global Fixed Income

TOP CONTRIBUTORS (QTD)

- PIMCO Monthly Income Fund
- Fidelity High Yield
- Loomis Multisector Bond Fund

3-YEAR RISK-RETURN ANALYSIS

Indicator	Fund	Index*
Beta	1.01	1.00
Standard deviation (%)	5.02	4.87
Information ratio	1.66	-
Tracking error	0.93	-

*40% FTSE Canada Universe Bond Index 60% Bloomberg Intermediate U.S. Aggregate Bond Index (Hedged CAD)

TOP DETRACTORS (QTD)

- Government bonds

FUND CHARACTERISTICS

Characteristic	Fund
Yield to maturity	2.23%
Average duration	4.61 yrs
Average credit rating	BBBH
Allocation to HY	17%
Allocation to IG	83%

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PORTFOLIO ACTIVITY

We continued to underweight duration and overweight credit

During the period, we made targeted adjustments to ensure the portfolio remained aligned with evolving market conditions. We increased our allocation to corporate bonds, notably through the Fidelity High Yield Bond Fund, strengthening our exposure to higher-yielding credit opportunities.

At the same time, we reduced interest rate sensitivity by shortening the portfolio's duration with U.S. Treasury futures, which helped reinforce resilience amid heightened rate volatility. These actions enhanced the portfolio's credit profile while preserving the flexibility needed to adapt to potential shifts in monetary policy and rapidly changing market dynamics.

PORTFOLIO POSITIONING

We continue to overweight credit and underweight duration in North America

As we enter the first quarter of 2026, we remain underweight longer-dated government bonds and maintain a constructive stance on credit across high-quality and lower-rated segments alike. This positioning reflects our continued caution on duration at a time when interest rate uncertainty remains elevated. Although tariffs and other geopolitical factors still pose risks to the U.S. outlook, we think markets may be overconfident about the speed of future Federal Reserve rate cuts. Most economic indicators—employment aside—continue to show resilience, and U.S. inflation remains above target. Given the risks ahead, we are monitoring our positioning closely and stand ready to adjust the portfolio as conditions evolve.

MARKET OUTLOOK

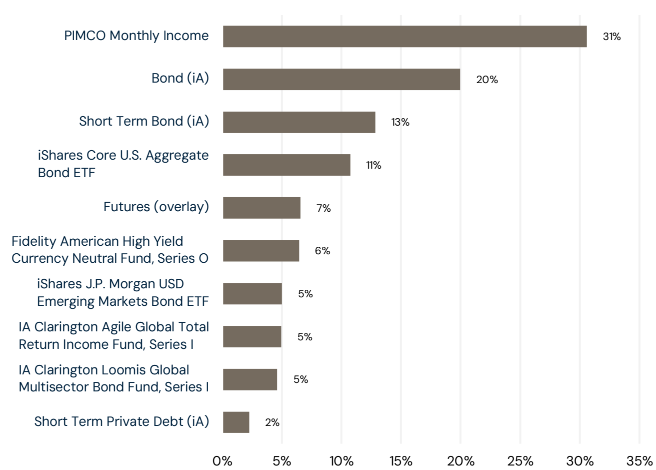
Uncertainty and volatility will prevail in 2026

The 2026 bond market outlook reflects a complex interplay of global and domestic factors. Heightened geopolitical risks, including U.S. involvement in Venezuela, could inject volatility into markets. Additionally, the Supreme Court's coming decision on Lisa Cook's case may redefine the balance of power between the Federal Reserve and the White House, adding policy uncertainty. In North America, USMCA renegotiations pose risks to trade flows and the Canadian economy, while U.S. mid-term elections could delay fiscal initiatives. The Bank of Canada is expected to keep rates steady, supporting Canadian yields, while the Federal Reserve faces pressure to ease policy. This divergence may favour Canadian bonds for stability, while U.S. Treasuries could see modest gains if cuts occur. Over all, cautious optimism prevails, tempered by geopolitical and policy risks.

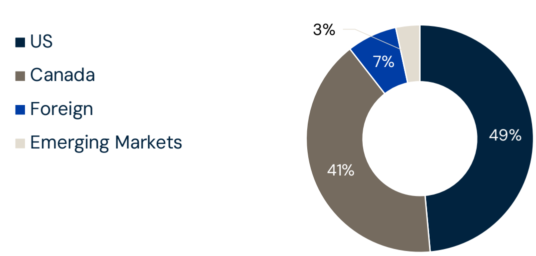
SIGNIFICANT TRANSACTIONS (Q4 2025)

Transaction	Rationale
BUY Fidelity High Yield Bond Fund	Increase our allocation to lower-rated credit.
SELL U.S. 10-year Treasury futures	Reduce our exposure to a potential increase in U.S. yields as the market expects several Fed rate cuts that may take longer to materialize than expected.

FUND ALLOCATION (as at November 30, 2025)



GEOGRAPHIC ALLOCATION (as at November 30, 2025)



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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.

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