

CIBC CONSERVATIVE FIXED INCOME POOL

as at November 30, 2020

Market overview

- The month of November produced solid returns for bond markets, with both investment grade and high yield bonds outperforming safer government bonds on positive vaccination developments that boosted investor sentiment. Three vaccines are at various stages of readiness and we're waiting for distribution before we can return to whatever the new normal may be.
- In the meantime, the virus is spreading more forcefully, lockdowns are being reimplemented, and consumers are likely to turn more cautious until they have their vaccine date booked. While some economists may reduce their GDP forecasts for the current quarter or the next, we remain comfortable with our above-consensus call, as we expect successful progress on vaccines. The forecast for next year may be back-end loaded (i.e. the latter two quarters could be stronger than this quarter and the next), but the consumer firepower in the form of elevated savings should be unleashed next year.
- Within the Pools, our absolute return currency strategy was the top performing holding over the month, benefiting from its short positions in U.S. dollar and Thai baht and long Mexican peso and Russian ruble positions. The Pools also benefited from their high yield bond exposure, as spreads within the sector declined 99 bps to 433 bps at the end of November. This brought high yield spreads to February 2020 levels.
- Looking ahead, we continue to prefer investment grade corporate bonds and emerging market debt, which are expected to outperform as the economic outlook continues to improve. Regarding interest rates, we anticipate short-term rates will remain anchored at current near-zero levels but anticipate some volatility in long-term rates.

Asset Allocation

Underlying Funds	Strategic weight	Current weight
Short-Term Debt	50%	46%
Renaissance Short-Term Income Fund	15%	15%
CIBC Active Investment Grade Floating Rate Bond ETF	10%	6%
CIBC Short-Term Income Fund	25%	25%
Canadian, Global Government and Corporate Debt	35%	39%
CIBC Canadian Bond Fund	10%	13%
Renaissance Global Bond Private Pool	5%	4%
Renaissance Canadian Fixed Income Private Pool	16%	16%
CIBC Active Investment Grade Corporate Bond ETF	4%	6%
High-Yield Debt	7%	6%
Renaissance High-Yield Bond Fund	2%	2%
Renaissance Floating Rate Income Fund	1%	1%
Renaissance Flexible Yield Fund	4%	3%
Emerging Markets Debt and Currency	8%	9%
iShares J.P. Morgan EM Corporate Bond ETF	3%	4%
Van Eck Vectors J.P. Morgan EM Local Currency Bond ETF	3%	3%
Horizons Absolute Return Global Currency ETF	2%	2%

Pool characteristics as at November 30, 2020

Characteristic	Pool
Average yield to maturity	1.7%
Average duration (years)	4.9

Country	Pool
Canada	76.9%
United States	10.2%
United Kingdom	0.6%
Japan	0.2%
Europe	1.5%
Other EMEA	4.7%
APAC	2.8%
Latin America	3.0%

Currency	Pool
Canadian dollar	91.5%
U.S. dollar	3.0%
Euro	0.0%
Pound Sterling	0.1%
Japanese Yen	0.0%
Emerging Markets	5.4%
Other	-0.2%

Duration Contribution	Pool
Canada	80.9%
United States	6.6%
Europe	1.7%
United Kingdom	0.4%
Japan	0.6%
Other	9.8%

Asset Class	Pool
Developed Market Government	34.6%
Emerging Market Investment Grade Government	2.7%
Emerging Market High Yield Government	0.9%
Developed Market Investment Grade Corporates	30.7%
Developed Market High Yield Corporates	5.2%
Emerging Market Investment Grade Corporates	1.6%
Emerging Market High Yield Corporates	0.9%
Global Currency	2.0%
Cash & Short Term Equivalents	2.1%
Loans	1.0%
Collateral Loan Obligation	0.8%
Mortgage-Backed Securities/ Asset-Backed Securities	4.7%
Other	12.8%

Credit Quality	Pool
AAA	22.9%
AA	16.7%
A	18.3%
BBB	17.5%
BB	5.1%
B	3.2%
<CCC	0.7%
Non-rated	13.7%
Global Currency	2.0%

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