FIXED INCOME REVIEW 2023

Carolyn Kwan | Colin Aubrey
June 19, 2023

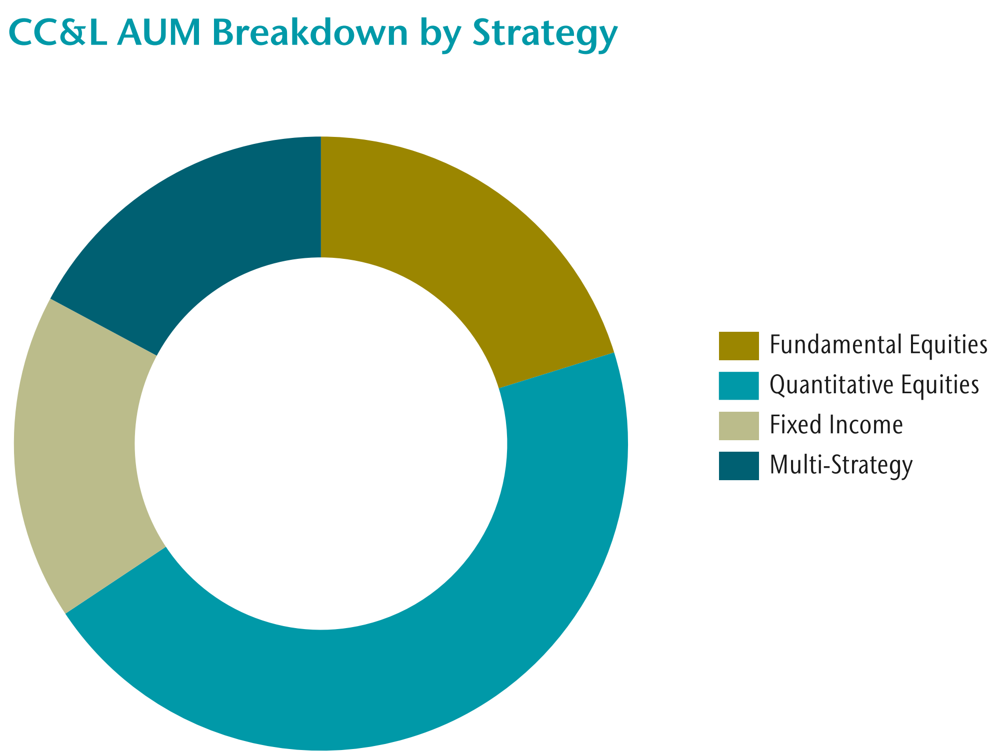
CITY OF TORONTO INVESTMENT BOARD

CC&L ORGANIZATIONAL UPDATE

March 31, 2023

OWNERSHIP

- No changes to structure
- Employee-owned
- Succession Plan



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Source: Connor, Clark & Lunn Financial Group Ltd.

STABILITY & DEPTH OF EXPERTISE

MACRO

Brian Eby
38 YEARS*

TJ Sutter
14 YEARS*

Carolyn Kwan
23 YEARS*

CREDIT

David George
TEAM LEADER
26 YEARS*

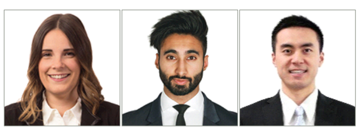
Jocelyn Chu
17 YEARS*

Brian Milne
13 YEARS*

PORTFOLIO CONSTRUCTION

Simon MacNair
22 YEARS*

RESEARCH

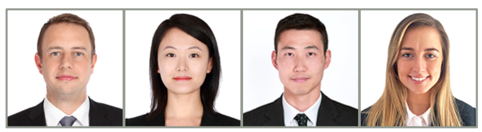


Monica Demidow

Joe Dhillon

Jason Li

PORTFOLIO ANALYSIS & DESIGN



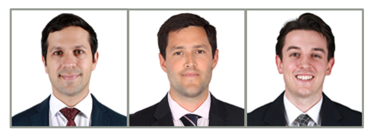
Tim Wilkinson

Alicia Wu

Ted Huang

Catherine Clark

IMPLEMENTATION



Kevin Malcolm

Derek Poole

Calen Falconer-Bayard

SYSTEMS

Jasmine Chen

Kyle Holt

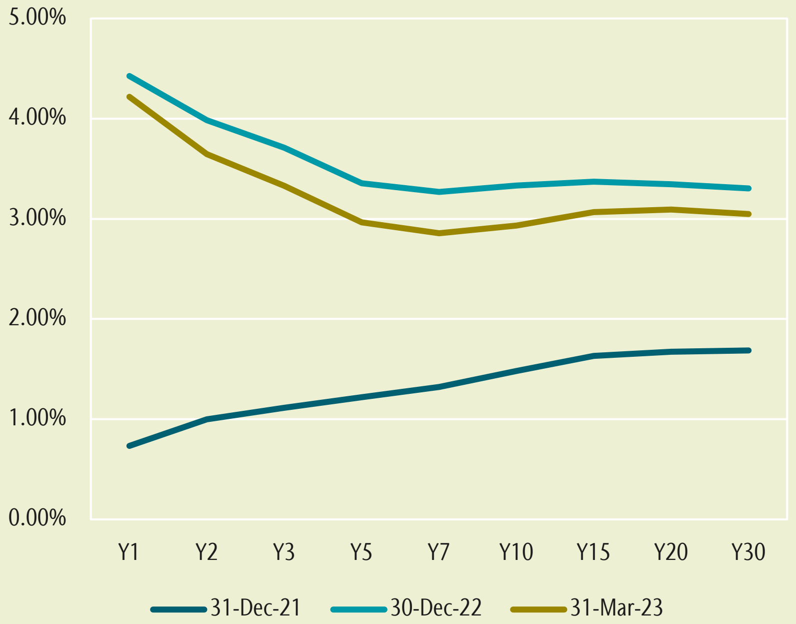
Desmond Leung

Average experience across all support teams [11/7]**

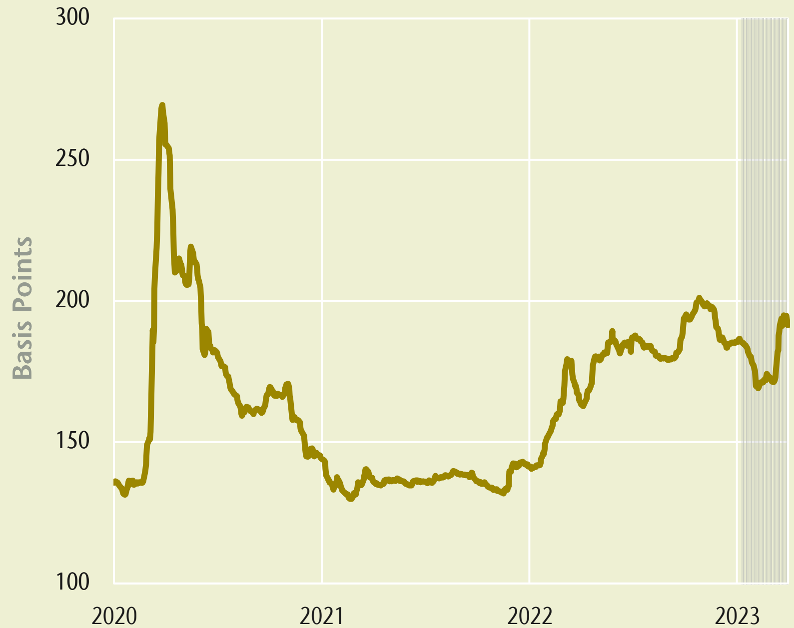
* Years of investment industry experience as of January 1, 2023
** Represent analysts' years of industry experience and years' experience at CC&L

INTEREST RATE REVIEW
As of March 31, 2023

Change in Canada Yield Curve



Corporate Spread



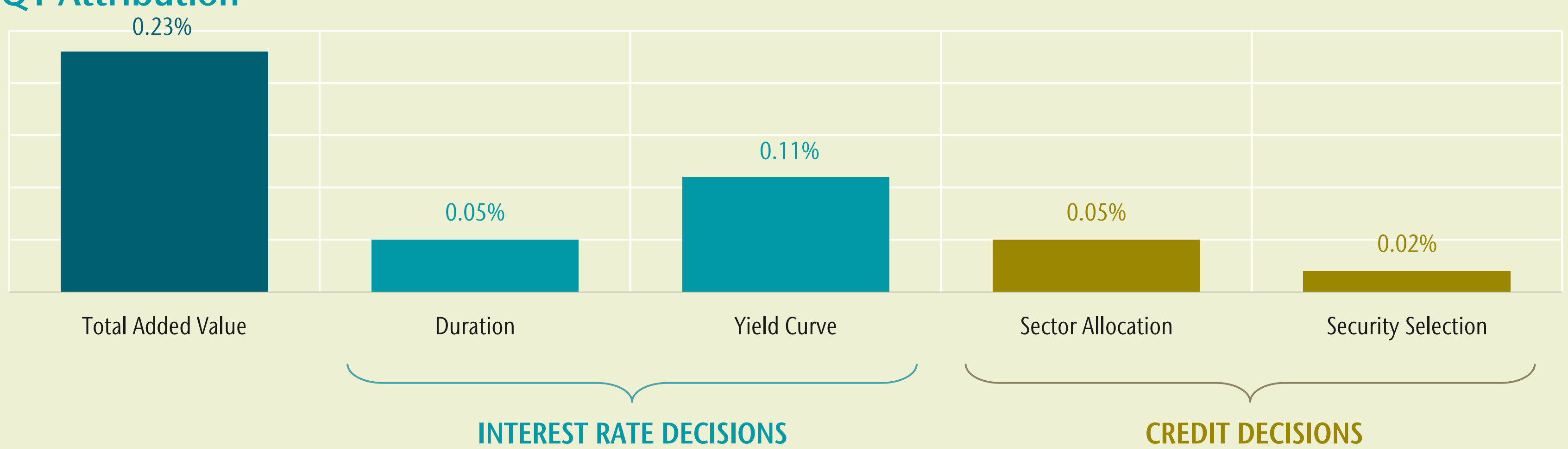
Source: FTSE Global Debt Capital Markets Inc., Macrobond

PERFORMANCE AND ATTRIBUTION

	2023 (%)	Annualized Returns to March 31, 2023 (%)			
	Q1	1 YR	2 YR	3 YR	Since Inception
City of Toronto	**3.45**	**-1.53**	**-2.93**	**-0.85**	**-0.24**
Benchmark *	3.22	-2.01	-3.28	-1.67	-0.84
Added Value	**0.23**	**0.48**	**0.35**	**0.82**	**0.61**

* FTSE Canada Universe Bond Index
Inception Date: June 28, 2019
All returns are gross of fees except where noted. Added value may differ due to rounding.
Source: Connor, Clark & Lunn Financial Group Ltd.

Q1 Attribution

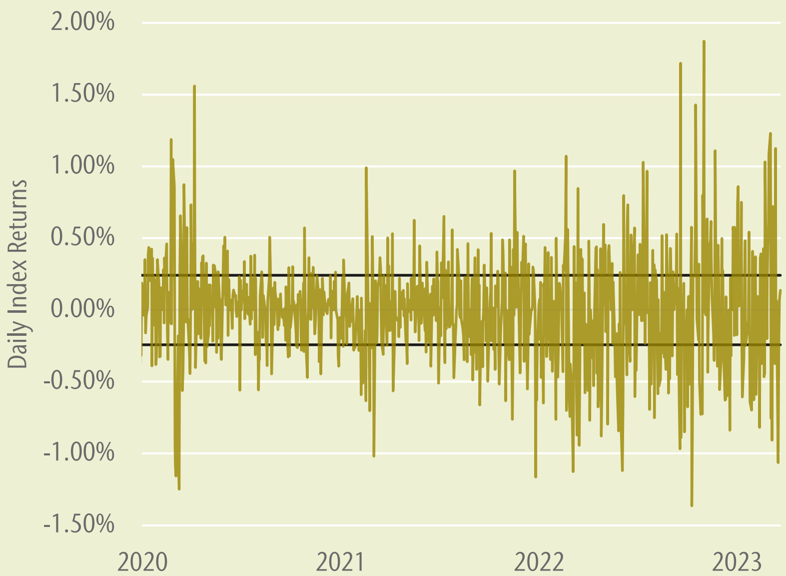


Source: Connor, Clark & Lunn Financial Group Ltd.

CC&L FIXED INCOME PERFORMANCE

Added value relative to benchmark

Even as markets have gotten more volatile…



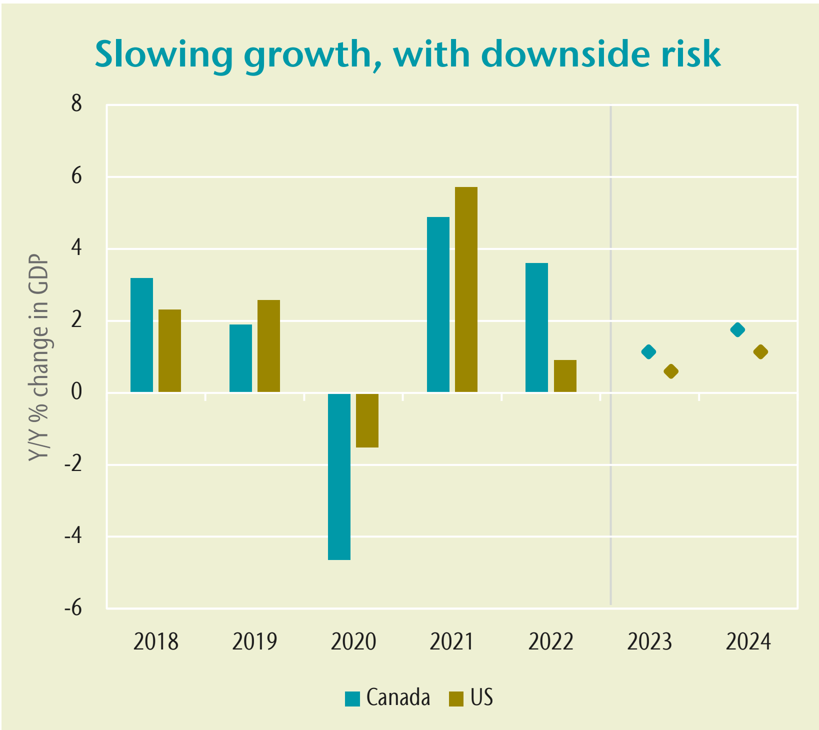
Source: FTSE Global Debt Capital Markets Inc
Index is the FTSE Canada Universe Bond Index
Horizontal bars represent a one standard deviation move over last 20 years

AV has remained steady and consistent

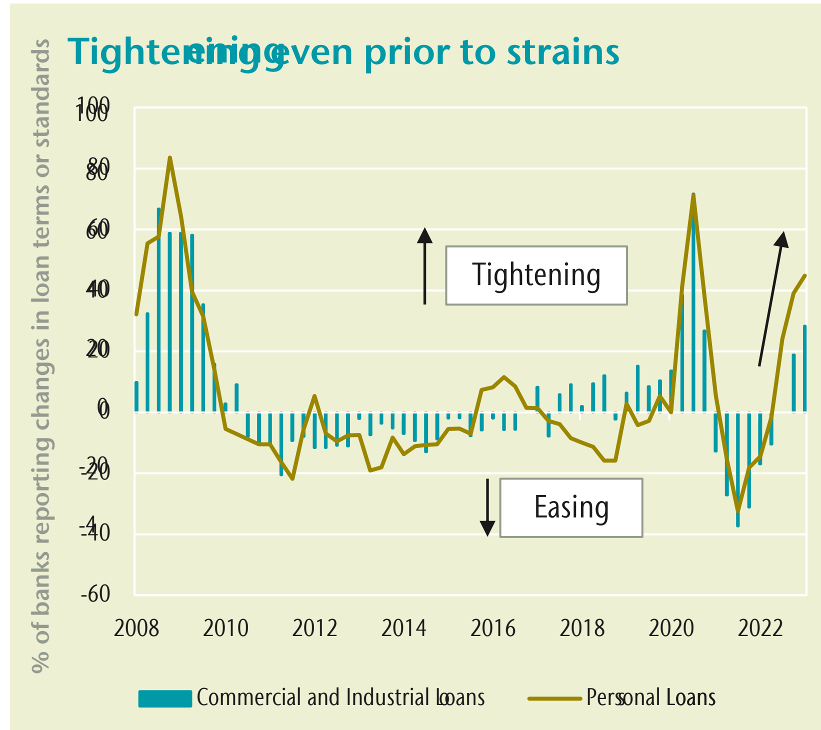
Source: CC&L Financial Group
Added Value for CC&L Bond Fund.

ECONOMIC OUTLOOK

RECESSION IS ON ITS WAY



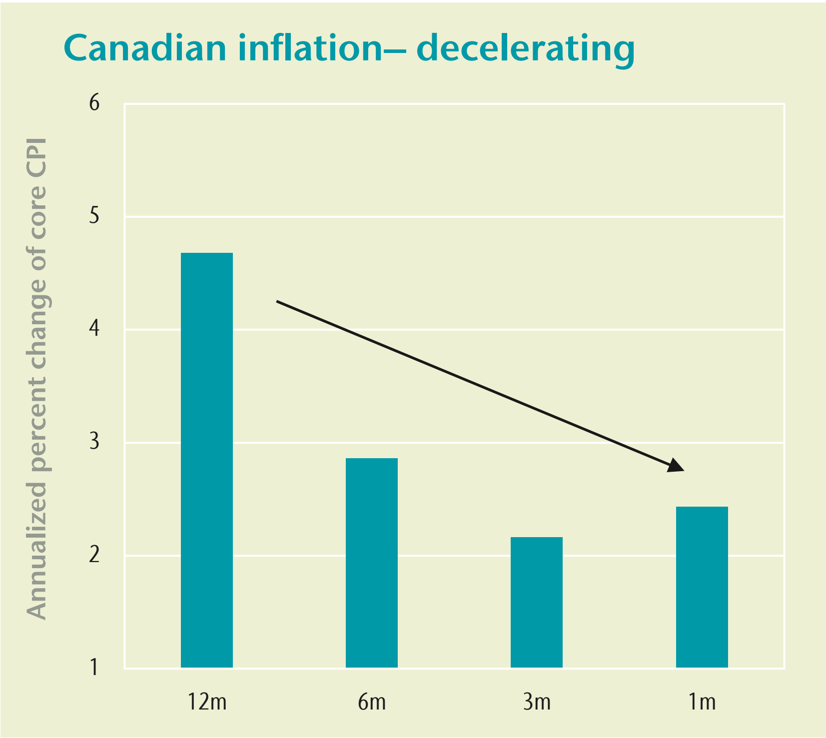
Source: Bank of Canada, Macrobond
Vertical line indicates start of forecast period.



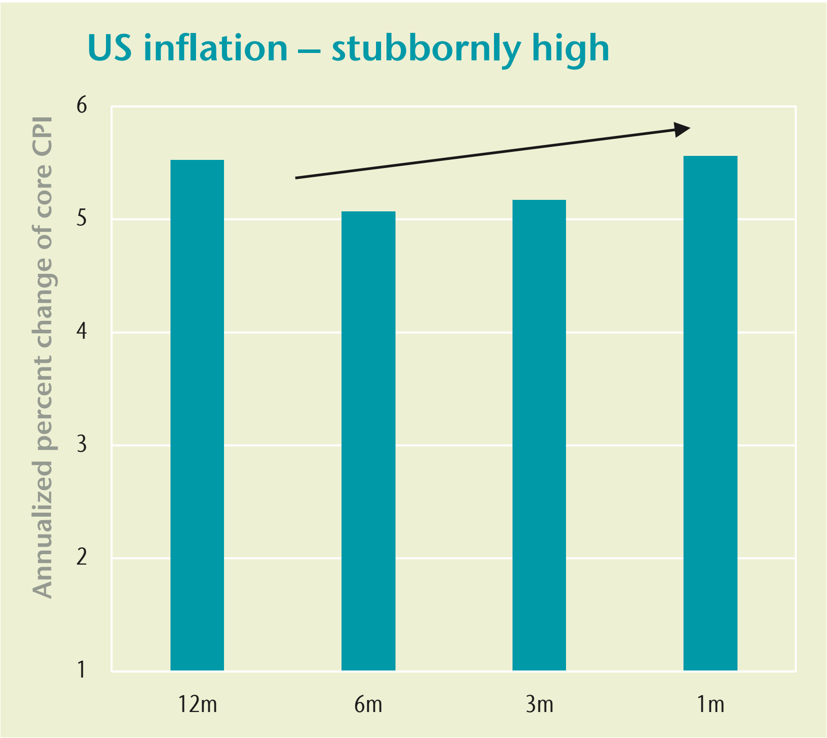
Source: Federal Reserve, Macrobond

Recent events have increased the probability of a recession

BETWEEN A ROCK (RECESSION) AND A HARD PLACE (INFLATION)



Source: Statistics Canada, Macrobond
Canadian core CPI is the metric excluding the 8 most volatile components



Source: US Bureau of Labor Statistics, Macrobond
US core CPI excludes food and energy

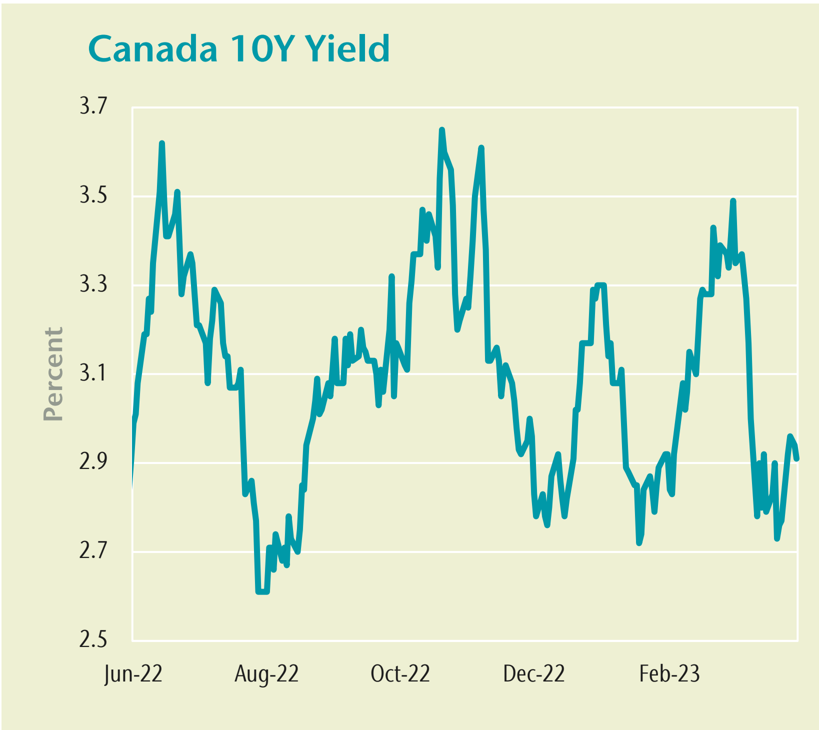
Canada making better progress on the inflation front than the US

ECONOMIC SUMMARY

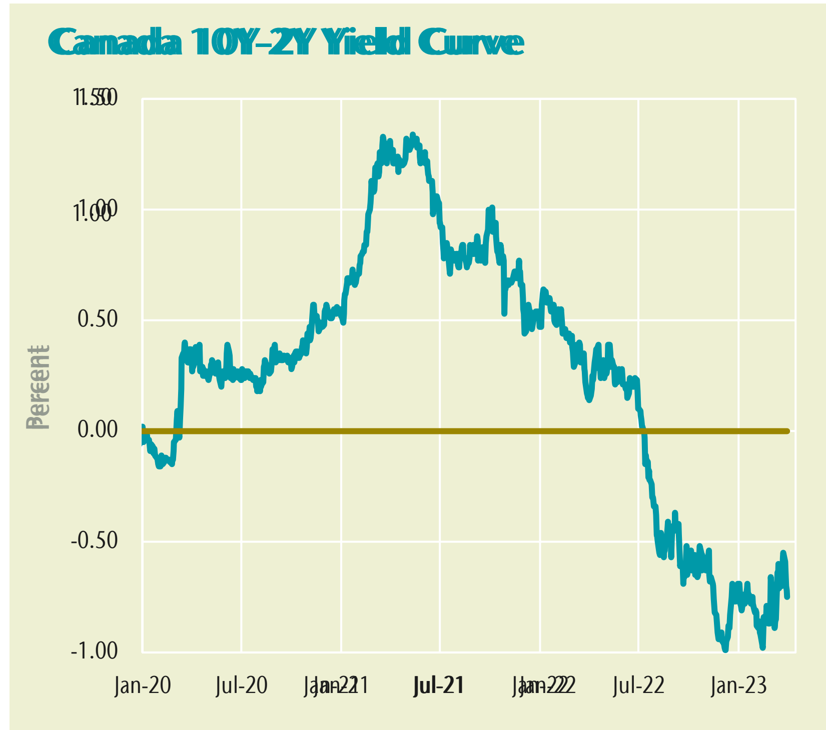
- Recession should be mild due to excess savings
  - » Policy rates are peaking
  - » Still believe in mild recession

- Inflation remains the main risk
  - » Wages and therefore services prices sticky to the upside
  - » But inflation metrics peaking, and in Canada easing downward

YIELD CURVE INVERSION AT EXTRAORDINARY LEVELS



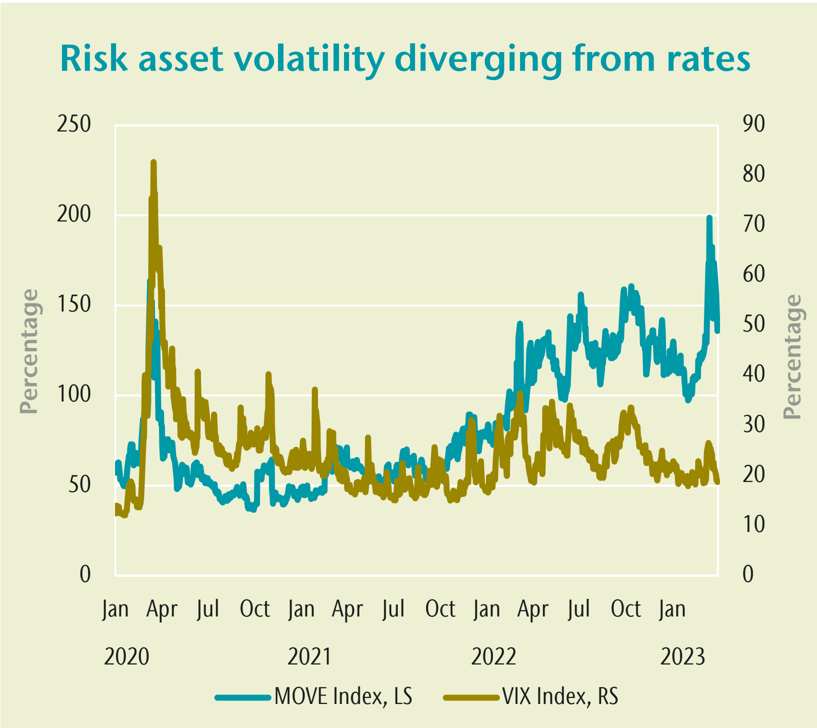
Source: Bank of Canada, Macrobond



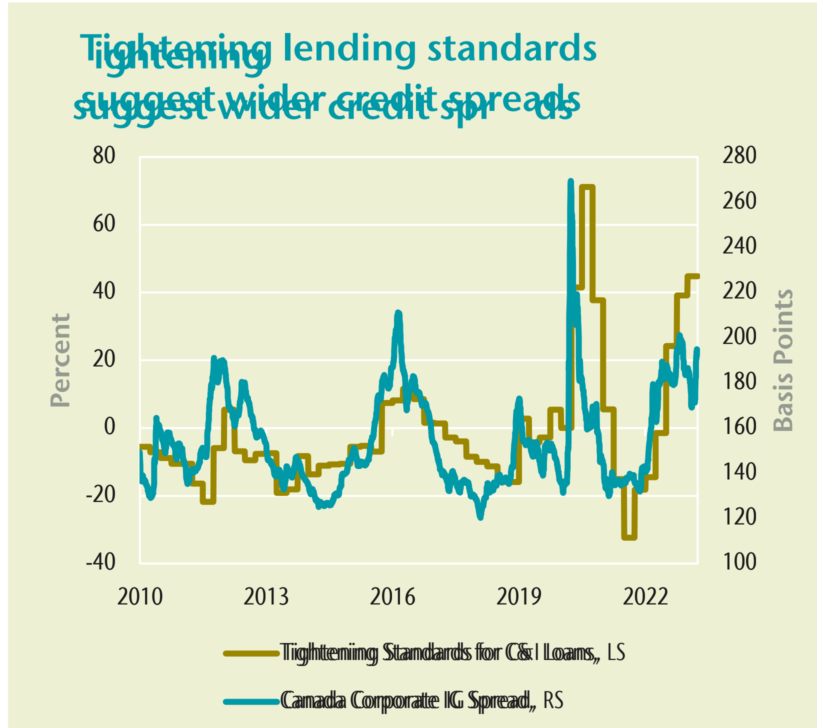
Source: Bank of Canada, Macrobond

Yield curve to steepen with the onset of recession

EXPECT CREDIT TO WEAKEN



Source: ICE BofAML, CBOE, Macrobond



Source: Federal Reserve, FTSE Global Debt Capital Markets Inc., Connor, Clark. & Lunn Investment Management Ltd., Macrobond

Credit spreads to widen as recession approaches

FIXED INCOME PORTFOLIO STRATEGY

Investment themes

Interest rates

- Restrictive policy to hold as central banks monitor sticky inflation
  - » Yield curve
  - » Duration

Credit

- Negative environment for corporate credit
  - » Credit spreads
  - » More defensive

APPENDIX

CC&L'S APPROACH TO RESPONSIBLE INVESTING

PRI | Principles for Responsible Investment

CCGG Canadian Coalition for Good Governance

RIA Responsible Investment Association

ICGN International Corporate Governance Network

TCFD | TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

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