

## BALANCED BONDS

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### Our Story

Morguard Lincluden strives to be the investment manager of choice for corporations and individuals who are seeking long term peace of mind for the management of their investment portfolios from a team that ensures that client needs are met first.

Morguard Lincluden Global Investments is a part of Morguard Corporation. Having acquired the remaining ownership of the firm in 2024, Morguard Lincluden is now fully backed by Morguard. The firm was originally established as Lincluden Investment Management Limited in 1982. Morguard Lincluden has a 44-year history of providing high conviction, disciplined value investing to clients across Canada.

Today we manage in excess of \$4 billion dollars for pension plans, sub-advisory, First Nation Trusts and not-for-profit organization. Our boutique size offers clients a focused and very customized approach that we believe will produce the strongest results for our clients and enhance the success of our firm.

### Investment Process

Morguard Lincluden has consistently applied a value-based investment philosophy since its inception. Portfolio managers operate under the belief that financial markets are efficient in the long run but can be inefficient in the short and medium term providing an opportunity to identify mispriced securities. We focus on the application of fundamental research to identify undervalued securities in order to construct portfolios that will deliver superior risk-adjusted returns over the long-term. Our philosophy is that we want to get paid for the risk that we take.

Our fixed income team utilizes a multi-dimensional approach that incorporates duration, credit, yield curve positioning, credit selection, foreign pay bonds and real return bonds in the portfolio construction process. Our approach does not focus on one dominant factor but rather incorporates the use of several tools to better position the portfolio to take advantage of changing market conditions.

Our investment process begins with an economic overview, which allows us to develop a long-term secular view on the market. Based on our view of value and risk, we then determine the appropriate duration and yield curve positioning for the portfolio. We also adopt a short-term tactical outlook within the context of our long-term secular view. This allows us to add incremental value based on shorter-term trading opportunities. We utilize foreign pay bonds and real return bonds on an opportunistic basis to add value when risk-reward characteristics are favourable.

Our exposure to credit risk through corporate, provincial and municipal government issues is a reflection of our detailed credit analysis and evaluation of risk-reward valuation characteristics. We do not rely on rating agency reports for our evaluation of risk; instead, we emphasize internal research by the fixed-income team, with support from the equity team. Credit analysis and portfolio management are an integrated function. We believe this leads to a more proactive approach to credit management.

Investments are made once the optimal structure of the portfolio is determined. We continually monitor and re-assess the portfolio based on changing market conditions.

# Fund Description

## INVESTMENT OBJECTIVE

The investment objective of the strategy is to generate both capital appreciation (growth) and income, while maintaining a relatively low level of risk. To achieve its objective, the strategy invests in a diverse portfolio of stocks, government and corporate bonds, and short-term instruments such as Government of Canada treasury bills.

## INVESTMENT STRATEGIES

Our investment philosophy is broadly defined as value oriented. The philosophy is consistently applied at the asset mix level and within each asset class.

Equity management is fundamentally driven in order to identify securities that are trading at a substantial discount to our appraisal of their fair value. We screen a broad universe of Canadian, U.S. and international stocks across the capitalization spectrum in its search for securities which are undervalued. The broader economic, capital market, and sector factors at work receive less weight than company-specific information. The Fund invests in a wide variety of industries and companies in order to reduce risk through diversification.

The fixed income management approach is based on the view that the economy and financial markets behave in a cyclical fashion and that markets are not always efficient in recognizing relative value and risk. We are committed to structuring a portfolio that achieves the most efficient combination of the duration, credit, yield curve and foreign-pay exposure variables from a long term, risk-reward perspective. The term to maturity decision reflects an analysis of current interest rates relative to anticipated inflation. Security selection decisions reflect a thorough assessment of a detailed credit analysis of the issuer. Corporate bonds generally represent a significant part of the Fund's portfolio.

The balance between fixed income and equity investments will depend on relative valuations in the financial markets. The Fund will normally invest between 40% and 70% of its assets in stocks and between 30% and 60% in fixed income securities. We anticipate that over the long-term equity exposure will average 60% and fixed income exposure 40% in order to achieve a balance of growth and income, though these percentages will vary from time to time. It is expected that foreign exposure will not exceed 45% of the assets. The Fund anticipates that its exposure to cash and cash equivalents will not exceed 15% of its assets. However, that range may be exceeded for short periods of time if the Fund experiences significant increases in net contributions over a short period of time, for defensive purposes, for rebalancing purposes or for purposes of a merger or other restructuring transactions.

## TARGET ASSET MIX

The target asset mix for the Morguard Lincluden Balanced strategy is 30% Canadian Equities, 30% Foreign Equities, and 40% bonds.

