FIERA CAPITAL

APRIL 2025

Navigating Global Seas:

Unleashing the Power of Global Multi-Sector Fixed Income Strategies

All data is as of December 31, 2024 unless otherwise specified.
This is a marketing communication.

In the broad universe of investment possibilities, investors are increasingly setting their sights on global fixed income strategies seeking to harness the diverse potential opportunities that span economic landscapes, central bank policies and an array of not only security types, but also capital structures.

Many fixed income investors have historically exhibited a home bias, however, an outsized exposure to one's domestic market does not necessarily promote flexibility and diversification in search of strong risk-adjusted returns. Having investment opportunities narrowly defined to those available within an investor's own backyard can limit the ability to uncover value when compared to the expansive opportunities across global fixed income markets.

This paper explores the compelling differentiators of investing in global bonds, focusing on the potential benefits derived from the diversity in economic conditions, central bank policies, security types, and capital structures across regions and jurisdictions—opportunities that may be absent in a domestic fixed income market. In our view, to identify the most attractive issuers, a disciplined investment process is essential, incorporating careful scrutiny of factors such as yield, curve dynamics, currency, and risk compensation. Additionally, we highlight that broadening an investors' investable universe to include global fixed income can potentially enhance returns and strengthen portfolio resilience.

Sailing Beyond the Horizon

Global bonds offer access to a wide array of security types and capital structures. While typical benchmarks primarily include sovereign and corporate bonds, investing globally enables meaningful comparisons within these categories while also helping to enhance diversification across geographies, sectors, and capital structures. The Fiera Global Multi-Sector Income Strategy considers fixed income investments across this diverse spectrum, allowing investors to fine-tune their portfolios based on risk tolerance, income objectives and market conditions.

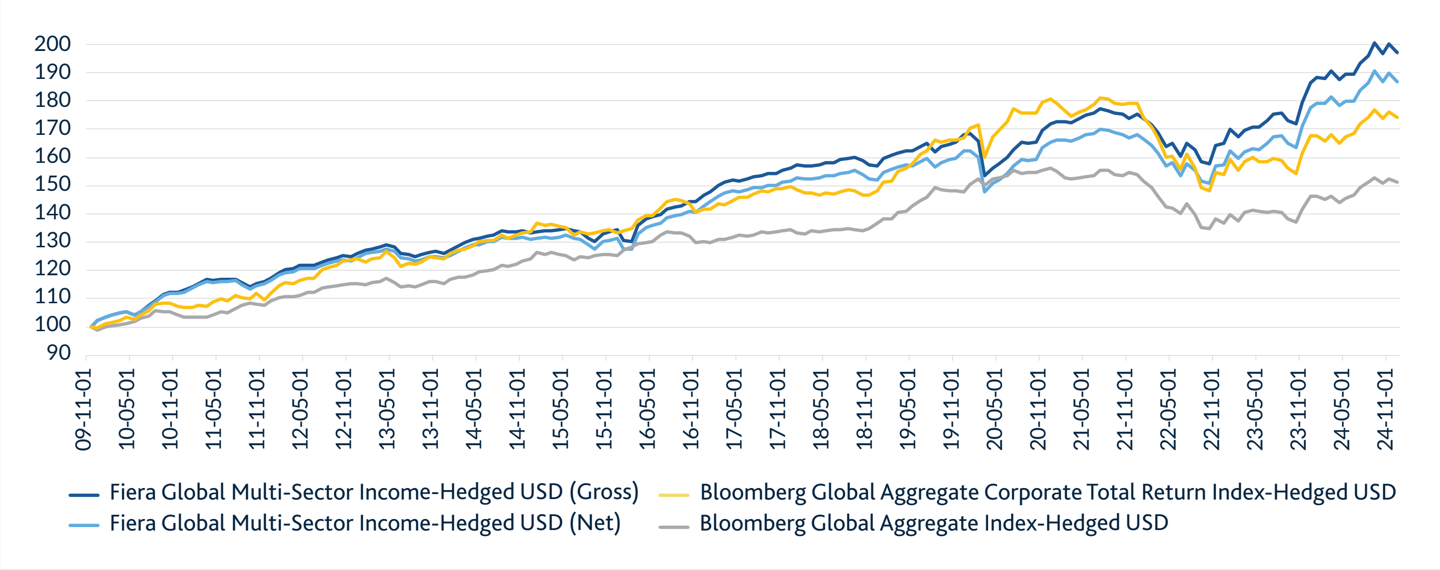
Historical Performance Since Inception

The global debt landscape is broadly diversified, where the United States represents the largest issuer[1] representing 40% of the global investment and non-investment grade fixed income sphere. This is unsurprising given the size and breadth of US financial markets. Outside of the United States, Japan is the only other country with double-digit exposure at 10% with many other countries having less than 10% representation of the global fixed income market. In Canada, domestically focused investors are limited to a market that accounts for just over 3% of the global fixed income universe, leaving a wealth of valuable opportunities untapped. (Source: Bloomberg Debt Market Indices as of December 31, 2024)

In instances where portfolios align to specific domestic interest rate and curve exposures, a domestic bias has the potential ability to solve the questions posed. However, as has been recognized in other asset classes, global allocations can help improve portfolios in a number of different ways, one of which is the potential to allocate to assets with differing return potential whilst secondly, adding the opportunity to improve diversification, not only geographically but across capital structures.

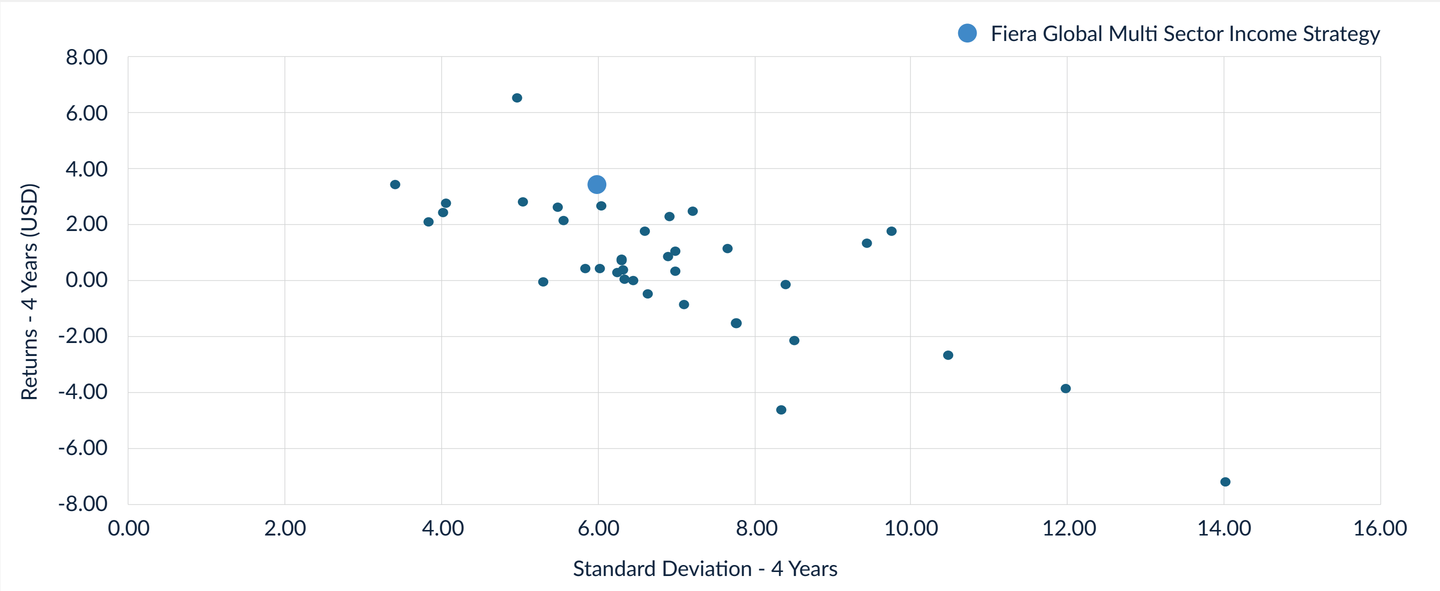
1 Account holdings and allocations are as of the date noted herein and subject to change.

Cumulative Total Return Performance Since Inception (November 2009)



Source: Fiera Capital, Bloomberg, FTSE Russell's, as of December 31, 2024. Inception date: November 1, 2009. Net returns reflect the deduction of all fees and expenses incurred by investors. Past performance is not a guarantee of future results. Inherent in any investment is the potential for loss.

Risk / Return of eVestment Global Multi-Sector Fixed Income Universe



Source: eVestment, as at 31 December 2024. Peer Universe: Global Multi-Sector Fixed Income Universe consisting of 37 peers. Past performance is not a guarantee of future results. Inherent in any investment is the potential for loss. All data as at December 31, 2024.

Although asset allocation decisions driven by macroeconomic factors should align with specific risk and return objectives, we believe that global fixed income landscapes can serve as a valuable complement to domestic bond strategies, offering the opportunity to redefine risk and return benefits.

The expansive global bond universe presents investors with a vast and diverse array of investment opportunities, where we believe the benefits are best achieved through an active approach that aims of generating alpha, rather than simply through beta exposure. Our investment philosophy is focused on uncovering existing inefficiencies across global markets by examining credit, currency, and rates markets in efforts to help uncover security issues and issuers with attractive risk-reward profiles. Given the diverse nature of global fixed income markets, adaptability and active management are essential elements that has enabled the Fiera Global Multi-Sector Income Strategy to distinguish itself.

Diversify: The Wind in Your Sails

Across global economies, central banks play a pivotal role in shaping macroeconomic market conditions, influencing both how growth and inflation materialize in their home country, which will have a direct impact on domestic yields, the shape of their domestic yield curve and their home currency. When comparing investments across a single market the valuation divergence across potential securities is limited by said domestic bias. Central bank policy divergence may create compelling potential opportunities for investors globally across regions.

The comparison in the charts below demonstrate the path deviations that occur in policy rates and 10-year bond yields across developed and emerging market counterparts using the US as a proxy. There should be little surprise that developed markets have followed a similar path in raising rates recently. However, there have been significant monetary policy deviations in the recent past, such as 2011 to 2020, when US and European economies faced different realities. Further out their respective yield curves, more synchronized moves in 10-year rates resulted in deviations ranging from 1.0% to 2.5% over the past 10 years. This narrow range reflects the high degree of capital mobility and long-term interconnectedness of developed economies.

In the charts below, the co-movement between the US and Brazil, an emerging country, has been less synchronized. The Central Bank of Brazil has been more active over the past two decades with their policy rate keenly geared to guide their economy through various domestic business cycles. Similar to other Latin American countries, Brazil has contended with high inflation that requires a locally focused solution. These country and regional differences result in policy deviations on a global basis. This in turn influences the currency, yield curve shape and yield differentials relative to developed market peers, which a global fixed income strategy can seek to take advantage of in a risk-controlled framework. The dispersion and opportunity across domestic yield curves is notable, with 10-year yield differentials ranging from 5% to 15% over the past decade.

A disciplined yet flexible approach that tactically capitalizes on favorable yield tailwinds in one region, while other regions navigate headwinds, helps enhance the likelihood of uncovering value, regardless of domestic market conditions.

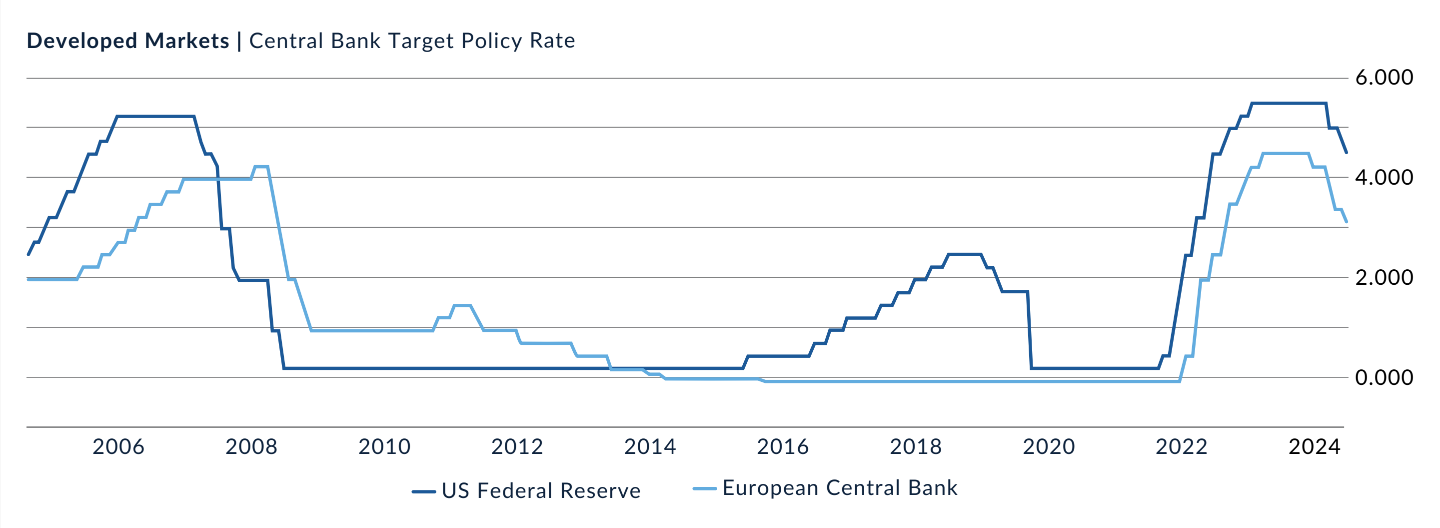
Setting Sail for Broader Opportunities

Emerging Market Debt represents a key subcomponent of the global opportunity set, offering potential benefits such as enhanced yields and greater diversification when incorporated into portfolios through a risk-conscious approach. The landscape of emerging markets has evolved significantly over the past two decades and various countries have made great progress in stabilizing their economies and gaining access to global capital markets.

Emerging market bonds have the ability to provide a diversified opportunity set compared to developed markets, offering potentially attractive income opportunities for investors seeking differentiated returns. Additionally, both the economy and as such, financial markets may not move in tandem with developed markets leading to potential opportunities for enhanced portfolio diversification with the overall aim of diversifying risk and improving overall portfolio stability.

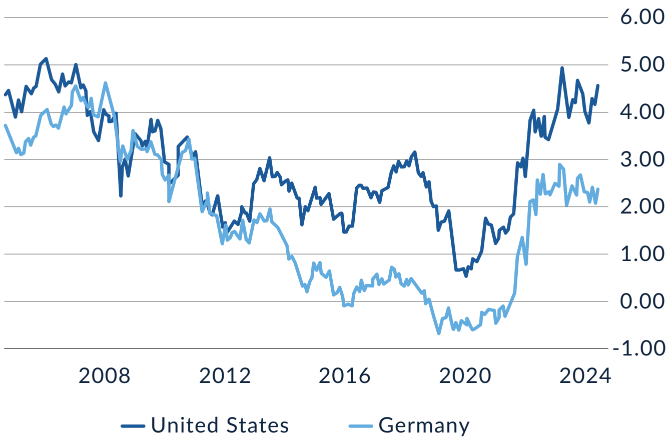
Many emerging markets have experienced improved economic stability and better fiscal management which has contributed to increased investor confidence. Several emerging market countries have implemented market-friendly reforms, including financial market liberalization, improved governance and enhanced regulatory frameworks, helping define themselves as attractive to international investors. This has led to numerous emerging markets having improved credit ratings, reflecting the strengthening of their financial positions and redefined risk of default. Whilst of note, importantly for investors, is their

Developed and Emerging Markets

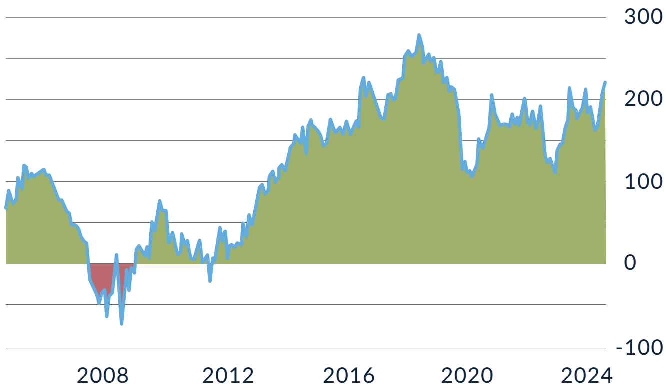


Source: Bloomberg, As of Dec 31, 2024. Past performance is not a guarantee of future results. Inherent in any investment is the potential for loss.

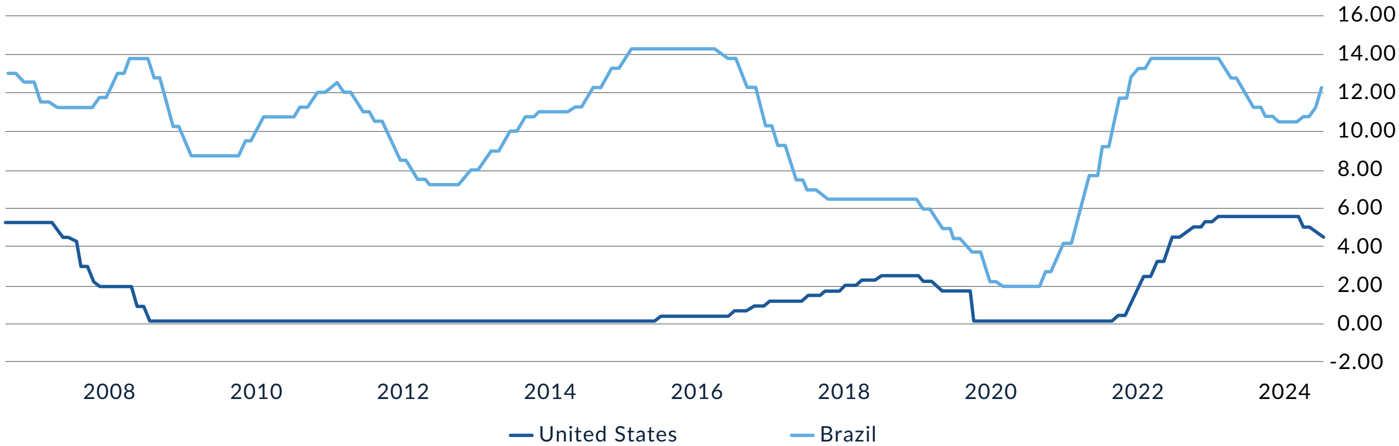
Developed Markets | 10-Year Bond Yield



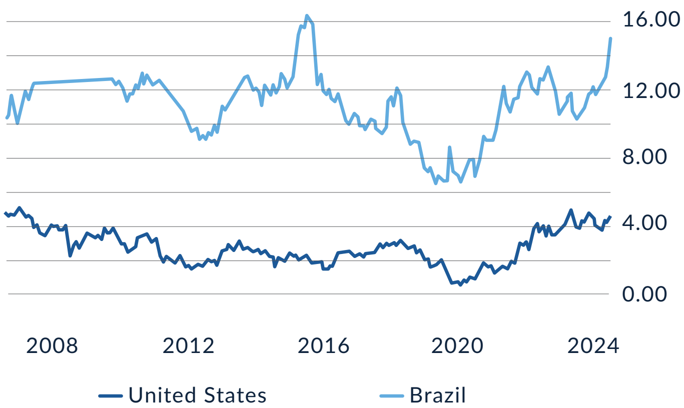
Developed Markets | 10-Year Bond Yield Difference



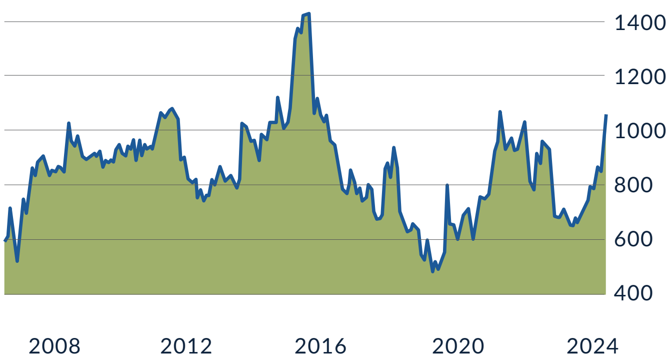
Emerging Markets | Central Bank Target Policy Rate



Emerging Markets | 10-Year Bond Yield



Emerging Markets | 10-Year Bond Yield Difference



Source: Bloomberg, As of Dec 31, 2024. Past performance is not a guarantee of future results. Inherent in any investment is the potential for loss.

access to capital, with several emerging market countries having gained greater access to international capital markets, leading to a broader investor base and increased liquidity in their bonds. Emerging markets have the potential for differentiated economic growth compared to developed economies. Investing in their bonds allows investors to participate in the diversified nature of these economies within a global investment landscape.

While currency risk is a consideration when investing globally, it can be further nuanced within emerging markets when we compare Hard vs Local currency. Hard currency refers to emerging market debt issued in US dollars, aligning the bonds to a stable currency base. This allows investors to gain emerging market exposure with portfolio currency risk limited to the US dollar. For non-USD based investors, hard currency helps to mitigate risk by being able to gain emerging market exposure in the easy to hedge reserve currency.

On the other hand, local currency investing directs capital to bonds denominated in the issuer's domestic currency. For the issuer, this fixes their payment obligations to a known amount in their home currency and transfers currency management decision to investors. Emerging market credit spreads on hard currency will fluctuate according to idiosyncratic risk and global macro-economic backdrop while local currency bonds will be a function of the local monetary policy, growth and inflation of the country itself. This can lead to potential arbitrage opportunities between hard and local currency bonds from the same issuer in different currencies. The diverse opportunities open further sources to seek to capture value.

Given the breadth and depth of the Fiera Global Multi Sector Income strategy, both Hard and Local currency Emerging Market Debt are viewed as opportunities set within the strategy allowing for building a more diversified Emerging Market fixed income allocation, resulting in enhanced overall portfolio diversification.

Defining the Capital Archipelago

Global fixed income strategies can provide access to an extensive range of security types, from government bonds and corporate debt to mortgage-backed securities, hybrid bonds and more. This diversity expands the available investment universe and allows for strategic allocations based on risk tolerance, income objectives, and market conditions.

Searching for value not only encompasses the identification of regions with attractive properties, but investors must also identify issuers—and within issuers, the securities to best express their convictions. Bonds with different maturities allow Portfolio Managers to express a view on the curve whilst furthermore having the ability to invest opportunistically across an issuer's capital structure.

The capital structure is the priority of claims an investor has on the assets of a company in the event of a liquidation. It ranges from the highest priority senior secured/unsecured debt, down to preferred shares with common equity in final place. Yield pick-up, credit rating and credit spread volatility relative to the issuer's senior debt is all influenced by the allocation within the capital structure. Venturing up and down the capital structure requires a sound understanding of a company to ensure that any additional risk is attractively compensated.

Given the much more diversified and larger landscape of investing globally, there is an increased likelihood of differentiated yield opportunities within the capital structure of all issuers, including well-understood high-quality issuers. For example, as the propensity to take on credit risk, sector exposure or a regional allocation fluctuate, the degree of spread changes can vary dramatically across the three tranches. A disciplined bottom-up credit approach can help to mitigate risk and identify value across select global issuer's capital structure.

Weathering the Storm Across the Changing Tides

Fixed income investors have been challenged of late with developed market central bankers enacting restrictive monetary policy stances to quell high inflation. This is necessary to promote long term stability, but fixed income investors face the challenge of having to continue to produce attractive absolute returns despite the negative implication rising rates has on the asset class.

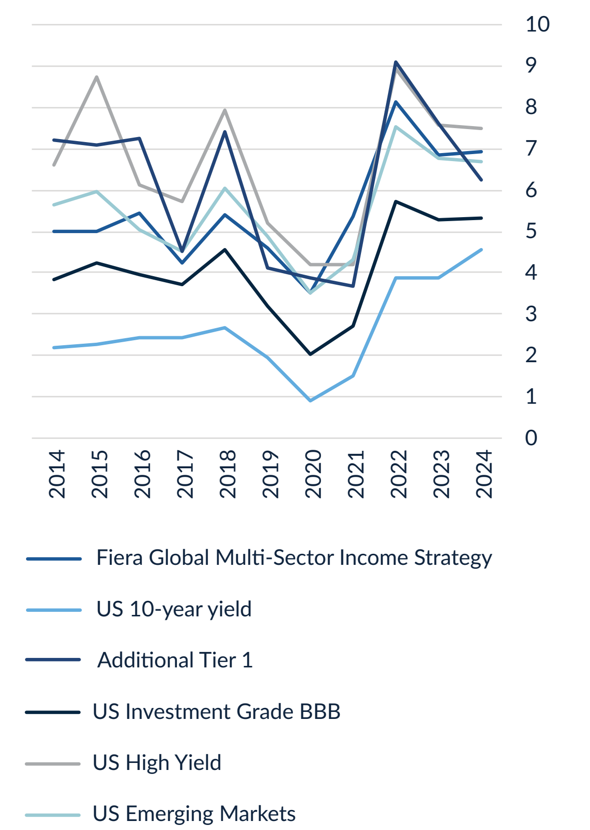
A global multi-sector fixed income strategy offers investors a valuable tool to effectively manage interest rate risk across diverse markets and economic environments. One of the ways to manage this lies in the inherent flexibility, allowing for dynamic allocation across various regions, sectors, and duration buckets. De-anchoring a domestic fixed income portfolio from the interest rate profile of its stated benchmark provides investors more latitude to appropriately position for the crashing tides.

This adaptability is crucial in navigating the ever-changing global interest rate landscape, as it enables investors to respond swiftly to shifts in monetary policy, economic conditions, and interest rate expectations. As an example, whilst rates may be rising in an investor's domestic market, a global strategy allows the portfolio to manage interest rate risk where the benefit may be skewed to a country or region that may be faced with decreasing rates. By diversifying exposure globally, investors can potentially exploit relative value opportunities, helping to optimize risk-adjusted returns while mitigating the impact of interest rate fluctuations in any particular market.

Historical Yield Profiles

Global investors can potentially benefit from the ability to enhance portfolio flexibility overall, while also improving outcomes from a risk-adjusted perspective. To better delineate the risk return perspective, the Fiera Global Multi-Sector Income strategy is designed to achieve an overall investment grade average credit quality whilst providing an increased yield profile. The improved portfolio carry can provide an additional cushion during more challenged market conditions and seeks to allow investors to improve long term return potential vis a vis a solely domestically higher yielding, lower credit quality portfolio. In our view, this is achievable given the expanded opportunity set of the strategy, combined with a balanced approach and focus on controlling for risks.

Historical Yield Profiles



Fiera Global Multi-Sector Income Strategy As of December 31, 2024	
Yield	6.95%
Duration	6.73 years
Average Credit Quality	A-

Source: Bloomberg as of December 31, 2024. Past performance is not a guarantee of future results. Inherent in any investment is the potential for loss.

Conclusion: Navigating A World of Opportunity in Fixed Income

As investors embark on a continuous journey to further optimize their portfolios, the addition of a global income-oriented asset class becomes increasingly compelling. A global multi-sector fixed income strategy seeks to provide access to a broader universe of fixed income instruments, including government bonds, corporate bonds, emerging market debt, hybrid bonds and more. This expanded toolkit allows investors to construct portfolios that are not only designed to be resilient to interest rate movements but also seek to capitalize on attractive risk-return profiles across different geographies and capital structures. Effective active management of duration, credit quality, and yield curve positioning on a global scale empowers investors to further diversify their portfolios and improves the potential for generating positive excess returns.

The Fiera Global Multi-Sector Income Strategy acts as a domestically focused diversifier, offering investors diversification across geography, capital structure and yield. Through this strategy, investors seek to benefit from the opportunities that exist outside domestic markets, gain access to a distinct yield structure, and maintain their global investment-grade profile.

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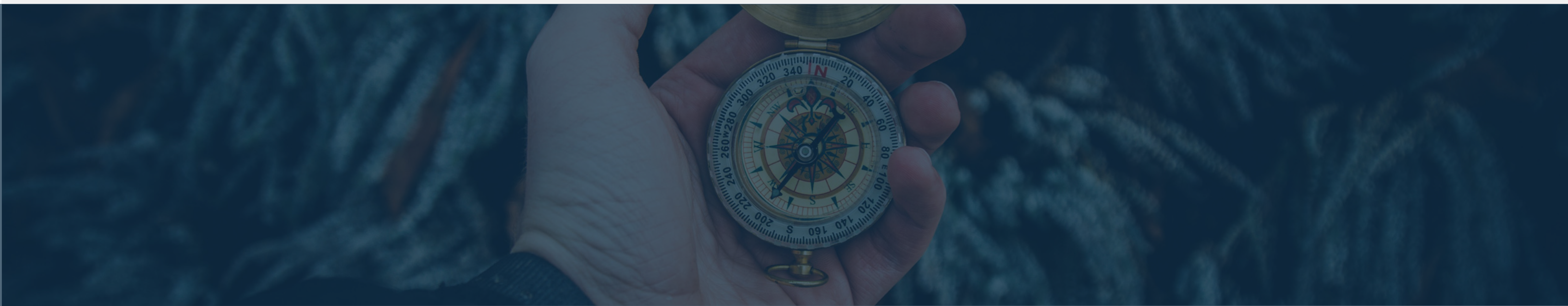

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