

Greystone Canadian Bond Fund

Fund Commentary

Fixed income returns were muted in the first quarter with modest headwinds from higher rates and wider corporate bond spreads. The FTSE TMX Canada Universe Bond Index witnessed capital losses but managed a positive total return due to coupons.

The GoC yield curve flattened in anticipation of higher overnight interest rates. Long-term GoC yields were lower as domestic economic data softened towards the end of the quarter. Greystone believes that some of the softening is due to seasonal patterns, which in recent years have resulted in weaker Q1 data releases.

Corporate bond issuance was strong with \$15 billion in March, which was the third most active month in Canadian history. Given Greystone's defensive posture towards credit, portfolio activity in new issuance was minimal; however, there was participation in Choice Properties REIT where relative value was strong at the 10-year term.

Spreads widened across provincial and corporate bond subgroups amid risk-aversion towards quarter end. The Energy sector witnessed a divergence with exploration and generation issuance outperforming, while pipelines underperformed on a duration-adjusted basis. Lower

quality BBB-rated bonds held up despite wider spreads and outperformed higher quality buckets.

During the quarter, the Greystone Canadian Bond Fund underperformed its benchmark, the FTSE TMX Canada Universe Bond Index.

Current Positioning

The portfolio trimmed active interest rate exposure following a higher move in rates to start the quarter. This was accomplished primarily by rotating from bonds maturing within two years into maturities of five to 10 years. A modest duration underweight remains.

Active returns for the quarter were in line with the benchmark. The portfolio benefited slightly from interest rate positioning but this was offset by security selection within pipelines and agency debt. Greystone is conscious of greater equity risk in corporate bonds when spreads are tight and as the cycle matures. As a result, Greystone is selective in their participation with new issuance and hold a defensive position with respect to credit risk.

About Greystone

Founded in 1988, Greystone Managed Investments Inc. is privately owned, employee-controlled and one of Canada's largest money managers. Greystone is a multi-asset class manager with in-house expertise in fixed income, Canadian equities, U.S. equities, international equities, real estate, mortgages and infrastructure. Greystone is headquartered in Regina, with offices in Toronto, Winnipeg and Hong Kong.

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Fundamentals

	FUND	INDEX
Average Maturity	9.68	10.27
Average Duration	7.03	7.41
Current Yield	2.60%	2.57%
Average Coupon	3.09%	3.34%

	FUND	INDEX
AAA	43.88	40.42
AA	27.29	31.40
A	16.18	17.20
BBB	12.65	10.99
<BBB	0.00	0.00

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Quarterly Additions/Deletions

Additions
Province of Ontario 4.00% Jun 02/21
Canada Housing Trust 1.00% Sep 15/21
Bank of Nova Scotia 2.09% Sep 09/20
Canada T-Bill 0.01% Apr 19/18
John Deere Canada Fund 2.70% Jan 17/23
Royal Bank of Canada 1.92% Jul 17/20
Government of Canada 1.00% Jun 01/27
Canada T-Bill 0.01% May 17/18
Toronto Dominion Bank 1.994% Mar 23/22
Canada-T Bill 0.01% June 12/18
Canada Housing Trust 1.50% Dec 15/21
Canada Housing Trust 2.35% June 15/23
Choice Properties REIT 4.178% Mar 8/28

Deletions
Canada T Bill 0.01% Apr 05/18
Enbridge Pipelines Inc. 4.49% Nov 12/19
B.C. Municipal Financial Authority 3.35% Jun 01/22
CIBC 1.70% Oct 09/18
Hydro One Inc. 2.78% Oct 09/18
Bank of Montreal 3.21% Sep 13/18
BC Municipal Finance Authority 4.15% Jun 01/21
Canada T-Bill 0.01% Apr 19/18
Ontario Infrastructure 4.70% Jun 01/37
Bank of Nova Scotia 1.3482% Mar 05/18
OPB Finance Trust 2.98% Jan 25/27
Enbridge Inc. 3.20% Jun 08/27
Province of Alberta 2.55% Jun 01/27
Canada Housing Trust 3.15% Sep 15/23
Province of Quebec 4.25% Dec 01/21
John Deere Canada Fund 2.70% Jan 17/23
Canada T-Bill 0.01% May 17/18

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