

# Greystone Canadian Bond Fund

## Fund Commentary

Canada continued to ride a wave of positive economic momentum with a growth rate that led developed markets. The improving Canadian economic landscape was matched by the performance of the S&P/TSX Composite, which posted positive returns in all three months of Q3-2017. Energy, which was the worst performing sector in the first half of the year, was the best performer this quarter as oil prices moved back above \$50.

Canadian bonds faced selling pressure over the third quarter as the domestic economy continued to grow above expectations. Government of Canada ("GoC") yields increased 35-45 basis points across maturities with the 10-year GoC ending at 2.1%.

Corporate bond issuance was strong over the quarter at \$31.5 billion. Investor demand for credit was equally strong with spreads over GoC yields holding near 10-year lows. Maple bonds, issued by non-Canadian corporations in the Canadian market were notable with McDonald's and Apple both coming to market. The portfolio participated in Apple given diversification benefits when compared to overall corporate holdings

While the portfolio participated in select new issuance, Greystone believes that the value of corporate bonds is less attractive at current spread levels, relative to history. As a result, the weight to corporate bonds has been reduced quarter-over-quarter and is focused on shorter maturity, higher quality issuance.

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

## Current Positioning

The Fund's position in provincial bonds provided a cushion versus GoC bonds on a duration-adjusted basis. Spreads tightened modestly across regions with slightly better performance in Atlantic Canada.

Portfolio returns were ahead of the benchmark over the last quarter and one-year period due to a defensive, below-index duration. While Canadian yields have risen substantially, Greystone believes that markets continue to underestimate the prospect of even moderate upward

pressures on North American inflation. Given their outlook, the portfolio maintains a defensive posture.

## 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	9.49	10.24
Average Duration	6.91	7.33
Current Yield	2.52%	2.51%
Average Coupon	3.19%	3.38%

	FUND	INDEX
AAA	40.38	41.20
AA	28.80	31.80
A	18.67	16.31
BBB	12.15	10.69
<BBB	0.00	0.00

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## Quarterly Additions/Deletions

Additions	Deletions
Alimentation Couche Tard 3.056% Jul 26/24	CIBC 2.22% Mar 07/18
Canada Housing Trust 2.25% Dec 15/25	Toronto Dominion Bank 2.171% Apr 02/18
Canada T-Bill 0.01% Oct 05/17	British Columbia Muni Fin Authority 2.50% Apr 19/26
Toronto Dominion Bank 1.00% Sep 30/25	Canada Housing Trust 1.95% Dec 15/25
Enbridge Inc. 3.16% Mar 11/21	Province of Ontario 1.00% Mar 16/21
CANADA T BILL 0.01% Nov 02/17	Inter Pipeline Ltd 2.734% Apr 18/24
CANADA T BILL 0.01% Jan 25/18	Toronto Dominion Bank 1.693% Apr 02/20
Apple Inc 2.513% Aug 19/24	Bank of Nova Scotia 2.242% Mar 22/18
Bank of Nova Scotia 1.2316% Nov 21/17	HSBC Holdings PLC 3.196% Dec 05/23
Government of Canada 1.00% Sept 01/22	Hydro One Inc 1.48% Nov 18/19
JOHN DEERE CANADA 2.63% 21 Sep/	Inter Pipeline Ltd 3.484% Dec 16/26
ENBRIDGE INC 1.00% SEP 27/77	Canada Housing Trust 1.00% Sep 15/21
Canada T-Bill 0.01% Dec 28/17	Bank of Nova Scotia 1.33% May 01/18
407 International Inc 3.65% Sep 08/44	Canada T-Bill 0.01% Oct 05/17
	Trans Canada Pipelines 8.29% Feb 05/26
	Bank of Nova Scotia 1.2316% Nov 21/17
	CANADA T BILL 0.01% Jan 25/18
	CANADA T BILL 0.01% Nov 02/17
	HSBC Bank Canada 2.17% Jun 29/22
	Altagas Ltd 4.12% Apr 07/26

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