

IT'S DIFFERENT THIS TIME

Patrick O'Toole

For Advisor Use Only.

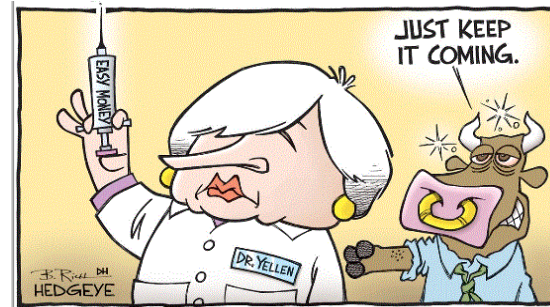
Agenda

- The hidden risks to look out for as the fixed income landscape changes
- The importance of active management in enhancing yield and preserving capital
- Why using ETFs may not be best for your clients
- Outlook

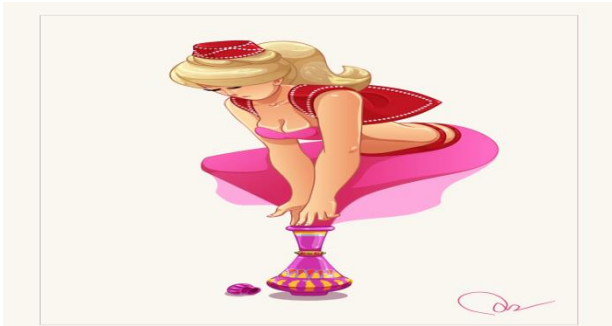
Hidden Risks for HIGHER Interest Rates



Helicopter Money



Central Banks Hit Policy Limits

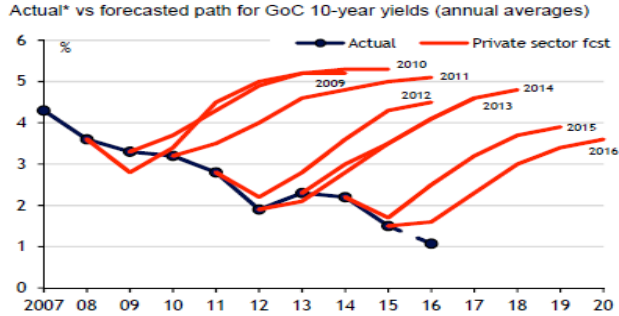


Inflation



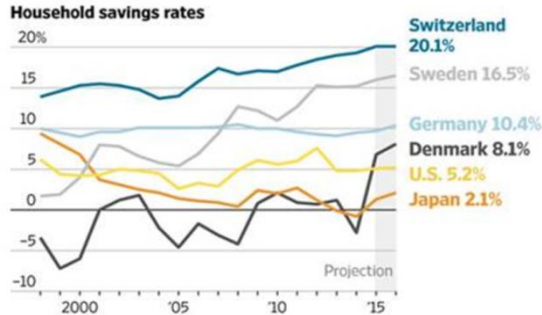
Strong Economic Growth

Hidden Risks for LOWER Interest Rates



Source: National Bank, Government of Canada, Bloomberg | *Actual for 2016 represents current trading level

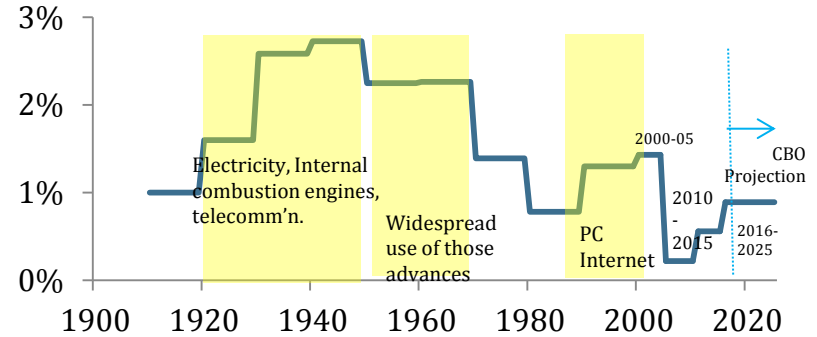
Rates Are Always Going Up



Source: Wall Street Journal. As at September 2016

More Savings Needed

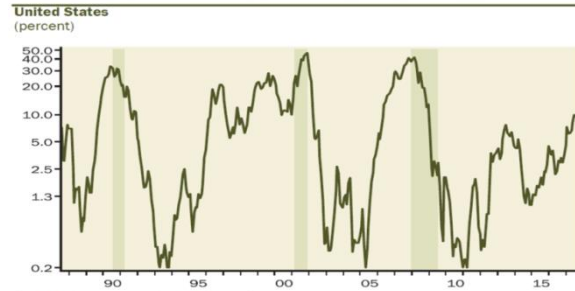
For Advisor Use Only.



Sources: Shackleton (2013) for before 1960; CBO for after 1960. Decade averages are presented, unless specified otherwise.

Productivity Gains Muted

CHART 1: RECESSION PROBABILITY AS PREDICTED BY YIELD CURVE



Source: Haver Analytics, Gluskin Sheff

Recession Odds Are Rising

Why Active Management?

What if yields rise?

		1 Year				3 Year				5 Year			
		YIELD CHANGE AT AUG 31, 2017				YIELD CHANGE AT AUG 31, 2019				YIELD CHANGE AT AUG 31, 2021			
		PARALLEL				PARALLEL				PARALLEL			
		SHIFT	FLATTER	STEEPER	HUMP	SHIFT	FLATTER	STEEPER	HUMP	SHIFT	FLATTER	STEEPER	HUMP
Current													
Bank													
Rate	0.50	1.00	0.50	0.00	0.25	1.00	1.00	0.50	0.75	1.00	2.00	1.50	1.50
3yr GoC	0.58	1.00	0.50	0.00	0.25	1.00	1.00	0.50	0.75	1.00	2.00	1.50	1.50
5yr GoC	0.67	1.00	0.35	0.25	0.50	1.00	0.75	0.75	1.00	1.00	1.75	1.50	1.75
10yr GoC	1.02	1.00	0.25	0.35	0.40	1.00	0.50	1.00	1.00	1.00	1.50	1.75	2.00
30yr GoC	1.63	1.00	0.15	0.50	0.30	1.00	0.35	1.00	0.50	1.00	1.00	2.00	1.00

Source: CIBC Asset Management Inc.

Why Active Management?

Hypothetical illustration

Active wins!

5 year horizon annualized returns (%) of active vs. passive solutions

	Active Solution			Passive Solution			Outperformance of Active Solution		
	Renaissance Canadian Bond Fund			FTSE TMX Canada Universe Bond Index					
	1 yr	3 yr	5 yr	1 yr	3 yr	5 yr	1 yr	3 yr	5 yr
+100 bps parallel shift	-2.53	1.24	1.85	-3.84	0.45	1.26	1.31	0.79	0.59
Bear flattener	1.60	1.95	1.68	0.78	1.30	1.10	0.82	0.65	0.58
Bear steepener	0.82	1.55	1.39	-0.23	0.63	0.69	1.05	0.92	0.70
Bear hump	0.80	1.76	1.68	0.02	1.01	1.05	0.78	0.75	0.63

	Active Solution			Passive Solution			Outperformance of Active Solution		
	Renaissance Corporate Bond Fund			FTSETMX Canada All Corporate Bond Index					
	1 yr	3 yr	5 yr	1 yr	3 yr	5 yr	1 yr	3 yr	5 yr
+100 bps parallel shift	0.68	2.82	3.19	-0.87	1.76	2.25	1.55	1.06	0.94
Bear flattener	3.08	3.24	3.05	2.27	2.46	2.20	0.81	0.78	0.85
Bear steepener	2.94	3.18	2.98	1.46	2.06	1.89	1.48	1.12	1.09
Bear hump	2.61	3.16	3.05	1.76	2.35	2.15	0.85	0.81	0.90

Active Solution returns are NET of Premium F-Class Fees
No fees were deducted from Passive Solution returns

For illustration purposes only. Not indicative of future results.

Source: CIBC Asset Management Inc., Portfolio Management and Research, FTSE TMX Global Debt Capital Markets Inc.
 Horizon returns are calculated as at August 31 2016. See slide 39 for detailed disclosure.

For Advisor Use Only.

Why Active Management?

Interest Rate Risk

Yields are going nowhere! Stay close to benchmark

**Yields are going down!
Move duration longer**



**Yields are going up!
Move duration shorter**

**Varying duration by $\frac{1}{4}$ of a year
can add 25 bps if rates rise by 1%**

Source: visokio.com

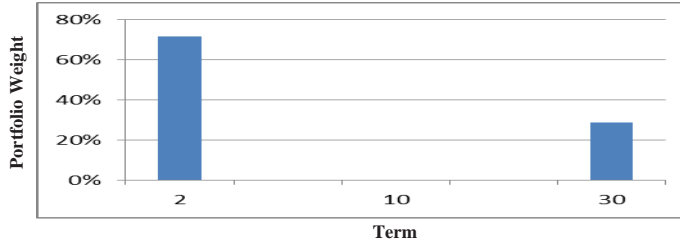
For Advisor Use Only.

Why Active Management?

Yield Curve Risk

Barbell

- Avg Term: 10 years
- Avg Yield: 0.9%

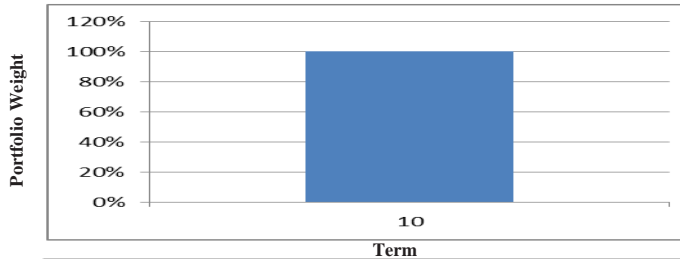


1 Year Return:

- Flatter -0.2%
- Steeper-1.6%

Bullet

- Avg Term: 10 years
- Avg Yield: 1.0%

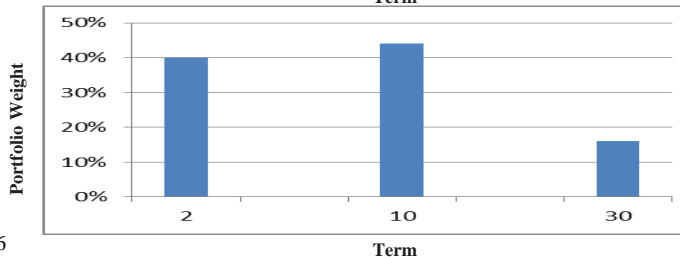


1 Year Return:

- Flatter -0.4%
- Steeper-0.8%

Ladder

- Avg Term: 10 years
- Avg Yield: 0.9%



1 Year Return:

- Flatter -0.3%
- Steeper-1.3%

Source: CIBC Asset Management Inc. As at October 2016

For Advisor Use Only.

Why Active Management?

Credit Risk

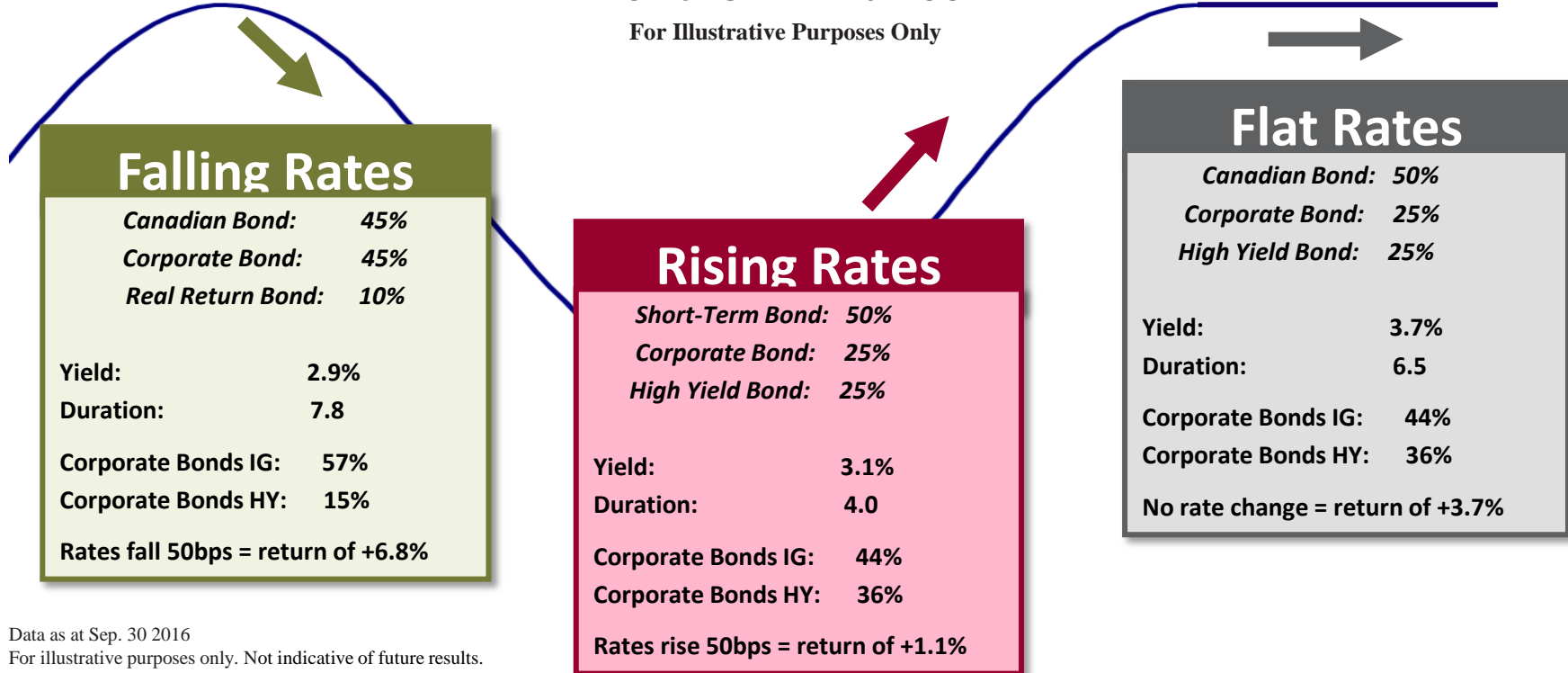
	Event	Our Position
	Collapse of non-bank asset-backed commercial paper in 2007.	Never approved.
	Collapse of Big 3 auto makers in 2008.	Reduced direct exposure four years earlier.
	Underperformance of Maple bonds in 2008.	Only 10 of 84 issuers had been approved.
	Underperformance of Commercial Mortgage Backed Securities in 2008.	Only 15 of 56 conduit transactions had been approved.
	Survival of Canadian banks through the global market meltdown.	Canadian banks were approved.
	Onset of 2007 – 2008 credit crisis.	Increased allocation to high grade corporate bonds
	Active pursuit of bondholders' rights.	<ul style="list-style-type: none"> • Bell Canada (2007-2008) • Member of the Canadian Bond Investors' Association (2012) • Great-West Life Consent Request (2013) • NVCC and Bail-In discussions (2009 – Present)

Source: CIBC Asset Management Inc.
For Advisor Use Only.

Sample Renaissance Bond Fund Allocations

For the DIY Advisor

For Illustrative Purposes Only



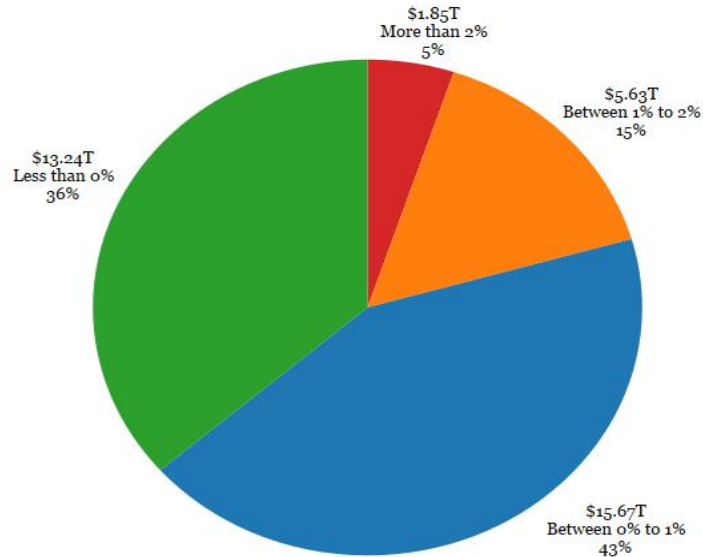
Data as at Sep. 30 2016

For illustrative purposes only. Not indicative of future results.

For Advisor Use Only.

Sovereign Bond Yields - Developed Markets

Breaking down sovereign debt interest rate ranges



Total = \$36.39 Trillion As Of August 2, 2016

Source: Bloomberg, Bianco Research LLC. As at August 2, 2016

- Only 5% of sovereign bonds yield more than 2%!
- Bonds owned by central banks may be permanently out of circulation.
- Are negative yields doing more harm than good?

Outlook – Economy

\$100 gets you \$99!

Negative Yielding Sovereigns



Source: JP Morgan Markets. As at January 2016

Why buy bonds with negative yields?

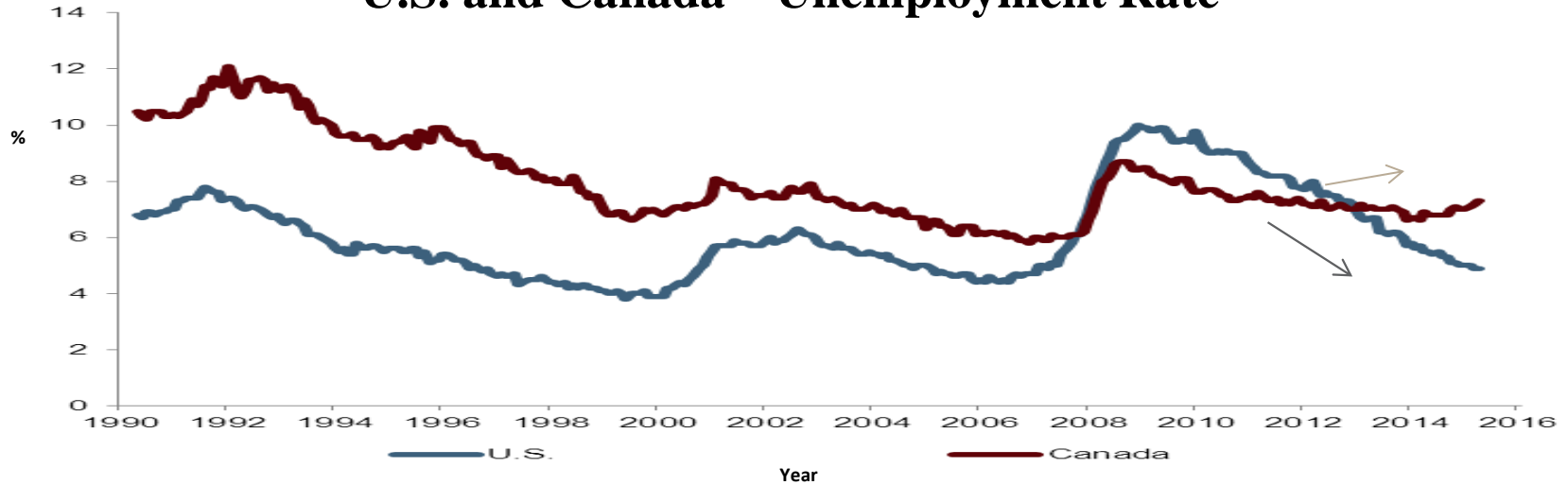
- Yields could go more negative
- Deflation risks are prevalent
- It may be a small price to pay for the safety that government bonds provide
- Currency speculation: you may lose on the bond, but make more on the currency
- Regulatory requirements

The potential consequences?

- Bank profitability is eroded, leading to tighter lending.
- Pension funds and insurance companies struggle to meet obligations
- Retail investors have to save more, so they don't spend
- More stock buybacks and less capital investment

Outlook – Economy

U.S. and Canada – Unemployment Rate

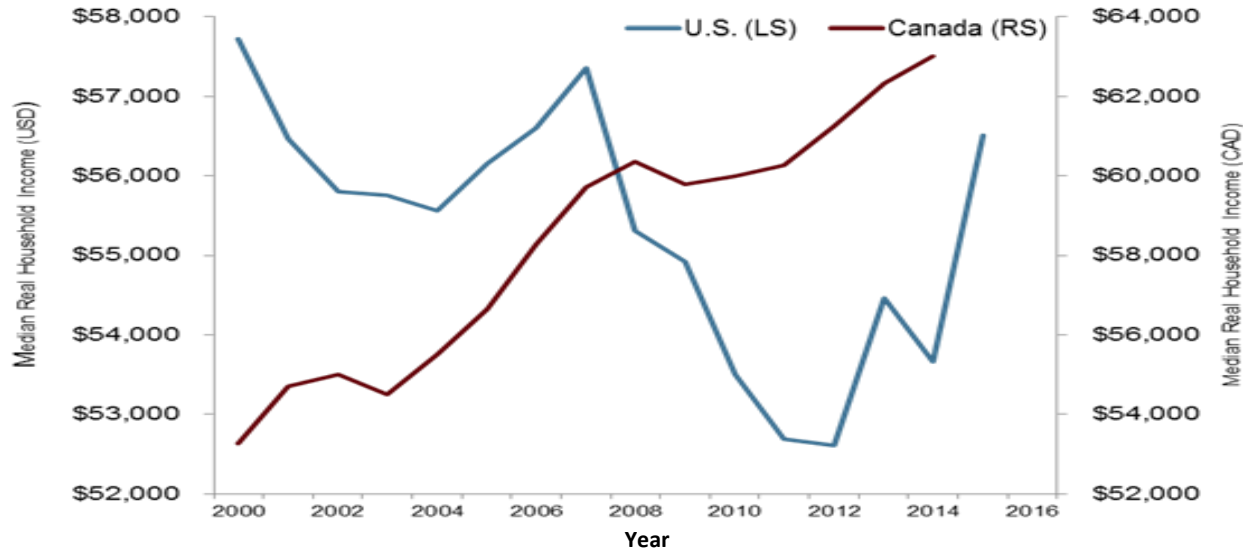


Source: Thomson Reuters Datastream and CIBC Asset Management Inc. As at January 2016

**U.S. jobs are coming back strongly.
Canada's improvement has stalled.**

Outlook – Economy

Real Median Household Income

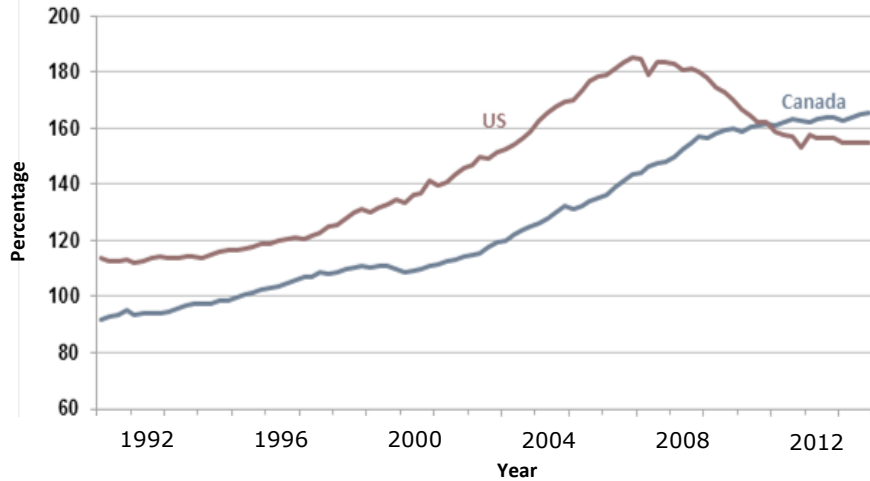


Source: Sentier Research. As at December 2015

**Yellen wants to see MAIN STREET U.S.A. recover before raising rates meaningfully.
It's Sunny Ways for Canada!**

Outlook – Economy

Household Debt/Disposable Income



Household Debt/Total Assets



Canadian household debt is high, but there are assets to back it.

Consumers and governments remain sensitive to higher rates.

Source: Statistics Canada, Thomson Reuters Datastream, Bank of Montreal, Gluskin Sheff.

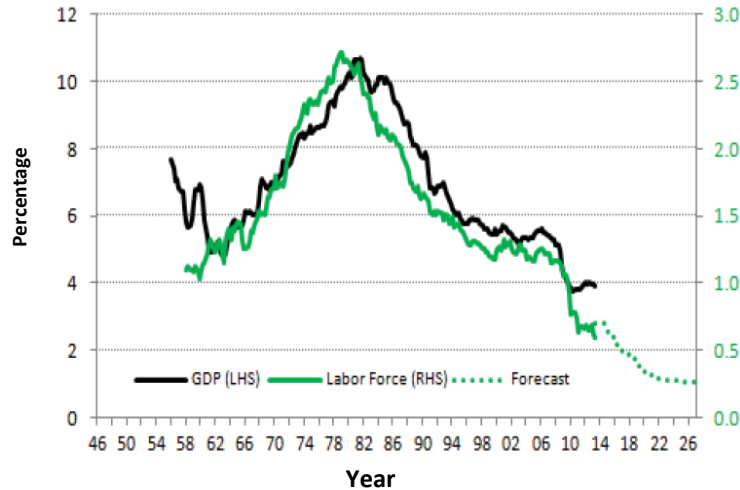
Household debt/disposable income – As at December 2012

Household debt/total assets – As at September 2016

For Advisor Use Only.

Outlook – Long Term Growth

U.S.: Smoothed Growth in Nominal GDP and Forecasted Labor Force

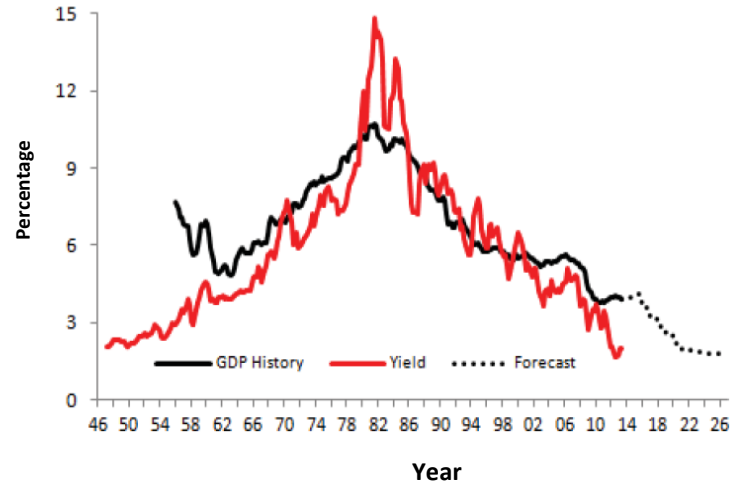


Economic growth is tied to labour force growth

Source: Bureau of Economic Analysis, Federal Reserve Board; ISI Group
Data as at December 2013

For Advisor Use Only.

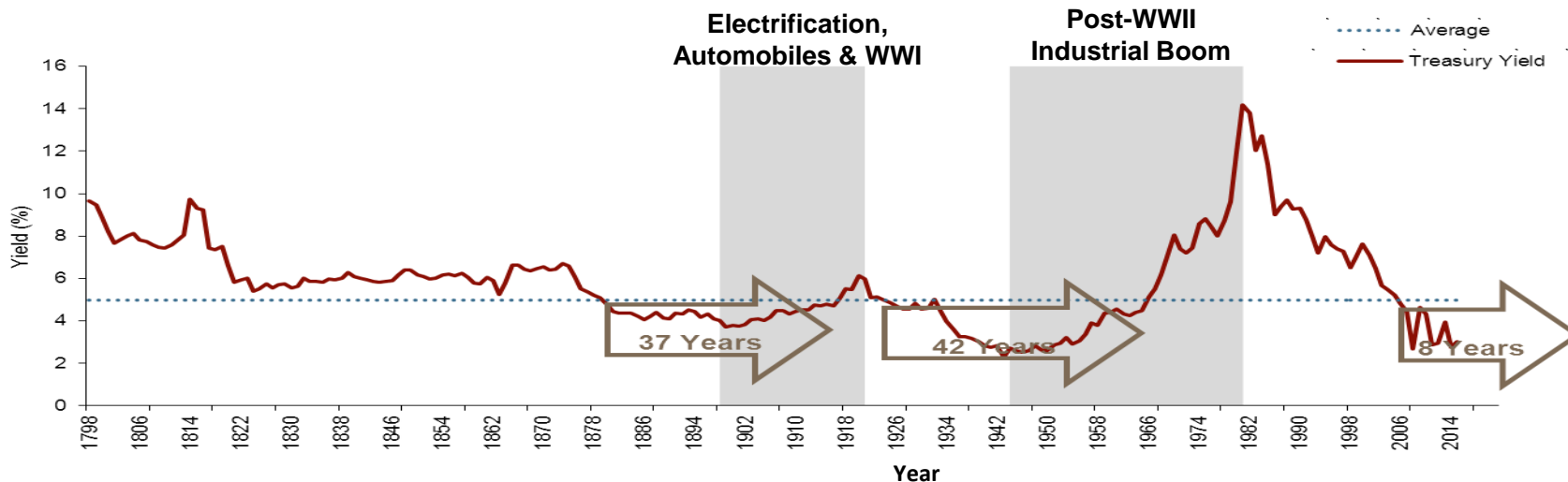
Yield On Long-Term Treasuries vs. Historical and Forecasted Growth In Nominal GDP



Nominal GDP has been a good proxy for bond yields

Outlook – Long Term View on Interest Rates

Long Term U.S. Interest Rate



⇨ = Interest Rate < 5%

1970 – 2000 was the anomaly.

Previous periods below 5% lasted ~40 years ... we're in year 8.

Source: Universal Economics, Hoisington Investment Management, Bloomberg and CIBC Asset Management Inc.
Data as at December 2014

For Advisor Use Only.

Outlook – Long Term View on Interest Rates

The Rally in Japanese and U.S. Bonds



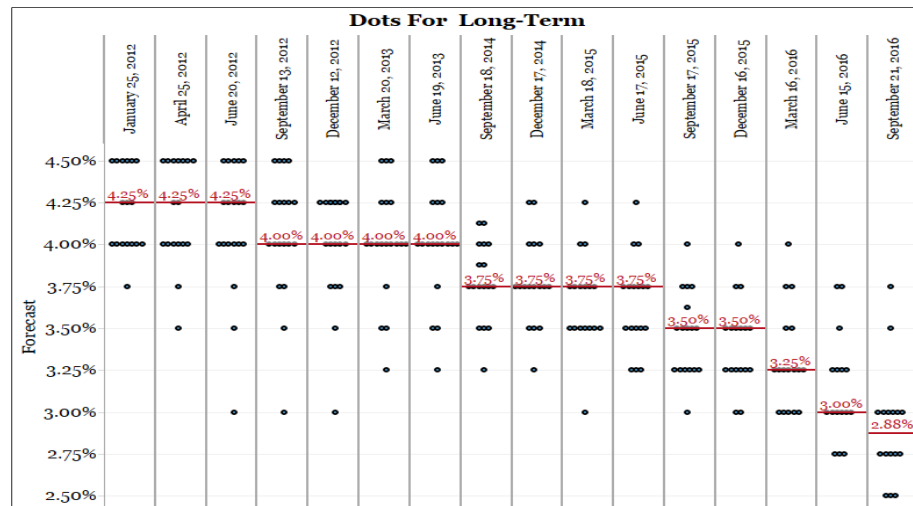
The U.S. isn't Japan ... But it's not that different.

Outlook – Long Term View on Short-Term Rates

Fed Funds Rate – Past and Future



Source: Hedgeye



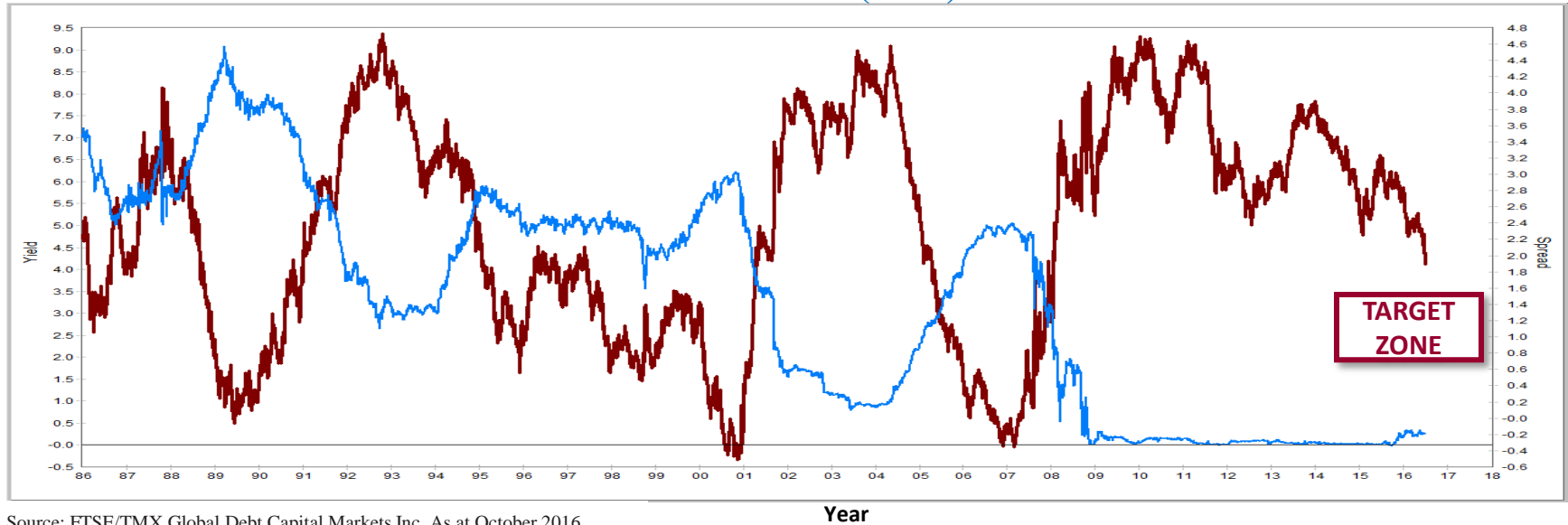
Source: The Federal Reserve

If it's ~2%ish ...

Outlook – Long Term View on Bond Yields

U.S. 30-Year Yield Less T-bill Yield (RHS)

U.S. T-bill Yield (LHS)



Source: FTSE/TMX Global Debt Capital Markets Inc. As at October 2016

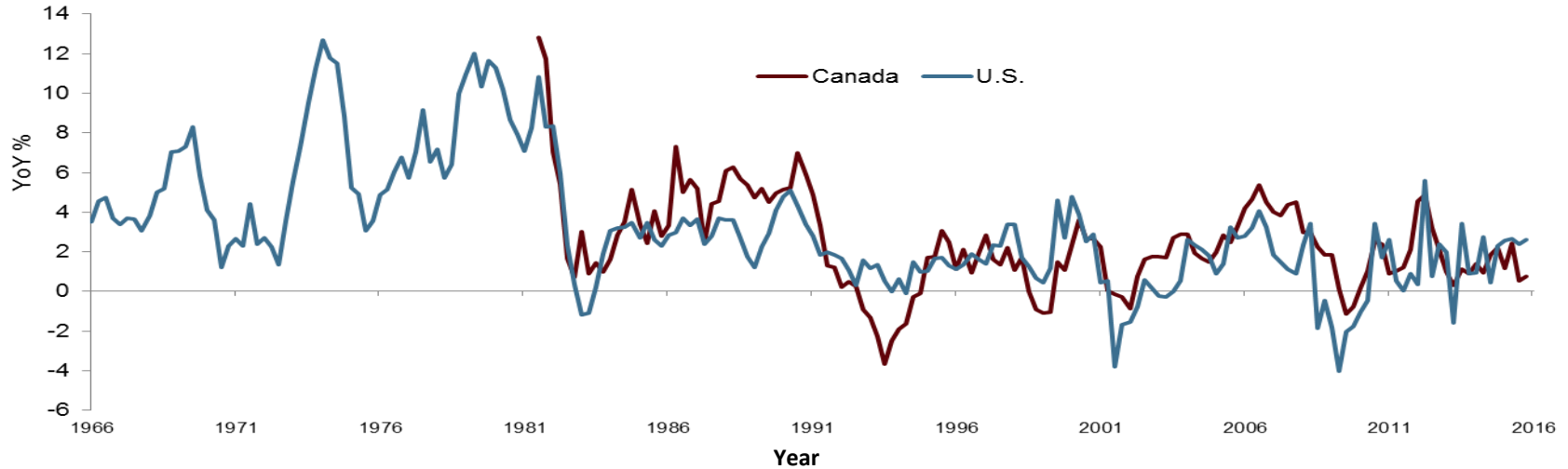
...that should limit 30-year yields to 3.50% for the next few years.

Canadian 30-year yields should remain lower.

For Advisor Use Only.

Outlook – Inflation

Canada and U.S. – Unit Labour Costs

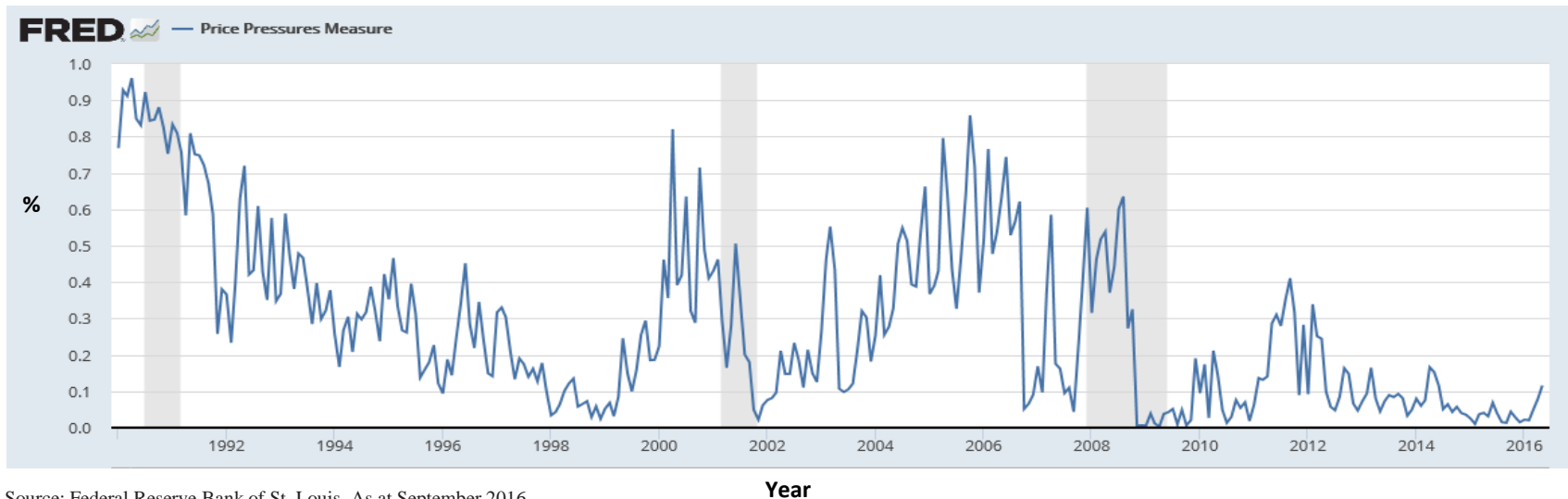


Source: Thomson Reuters Datastream and CIBC Asset Management Inc. As at September 2016

The market isn't expecting inflation to return.

Outlook – Inflation

Probability that PCE Inflation Exceeds 2.5% over next 12 months



Source: Federal Reserve Bank of St. Louis. As at September 2016

Nothing to see here folks.

Outlook – 1 Year Forecast

Canada 30-Year Bond Yield



Source: FTSE/TMX Global Debt Capital Markets Inc. As at October 2016

**Some upward pressure on yields is expected in the next twelve months...
But not much ... We expect a range of 1.3% - 2.3%.**

Buy Bonds If Rates Rise

Canada's Top 10 Bond Bear Markets

Period	Canadian Bonds	# of Months	Recovery period	Number of Months to Recovery	Months Until New High
May 1958 to Sep 1959	-6.1%	16	Sep 1959 to Jun 1960	9	25
Feb 1974 to Aug 1974	-9.8%	6	Aug 1974 to Dec 1974	4	10
Feb 1975 to Sep 1975	-5.5%	7	Sep 1975 to Jan 1976	4	11
Jul 1979 to Mar 1980	-11.1%	8	Mar 1980 to Jun 1980	3	11
Jun 1980 to Jul 1981	-11.4%	13	Jul 1981 to Nov 1981	4	17
Jan 1984 to May 1984	-5.2%	4	May 1984 to Aug 1984	3	7
Mar 1987 to Sep 1987	-6.5%	6	Sep 1987 to Jan 1988	4	10
Dec 1989 to Apr 1990	-6.1%	4	Apr 1990 to Jul 1990	3	7
Jan 1994 to Jun 1994	-11.2%	5	Jun 1994 to Apr 1995	10	15
May 2013 to Sep 2013	-5.3%	4	Sep 2013 to Apr 2014	7	11
Average	-7.8%	7	Average	5	12

Each period represents the peak-to-trough for Canadian bond returns.

Periods prior to 1980 are returns of Government of Canada bonds longer than 10 years. Post 1980 periods are DEX Universe returns.

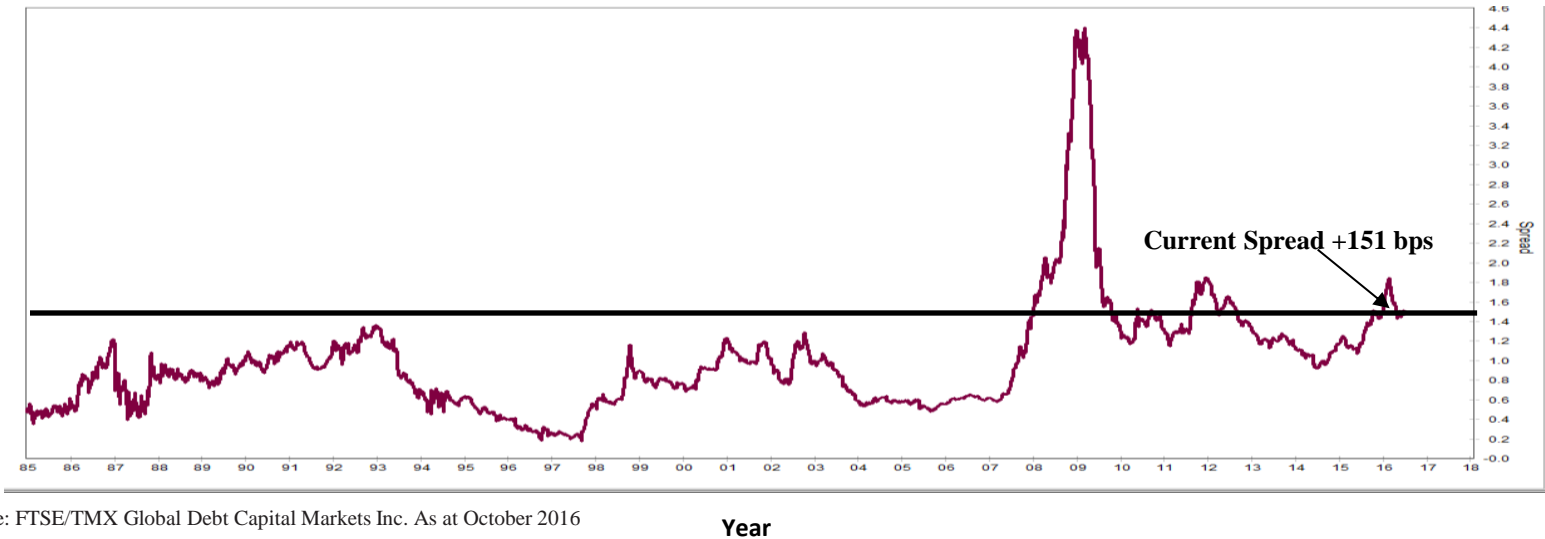
Source: Bloomberg, FTSE TMX Global Debt Capital Markets Inc., Global Financial Data, ICI Global, CIBC Asset Management Inc.

Bear Markets have proved to be buying opportunities.

Strategy - Corporate Bonds Look Good

Corporate Bond Spreads

(FTSE/TMX Mid-Term Investment Grade Corporate Bond Index)

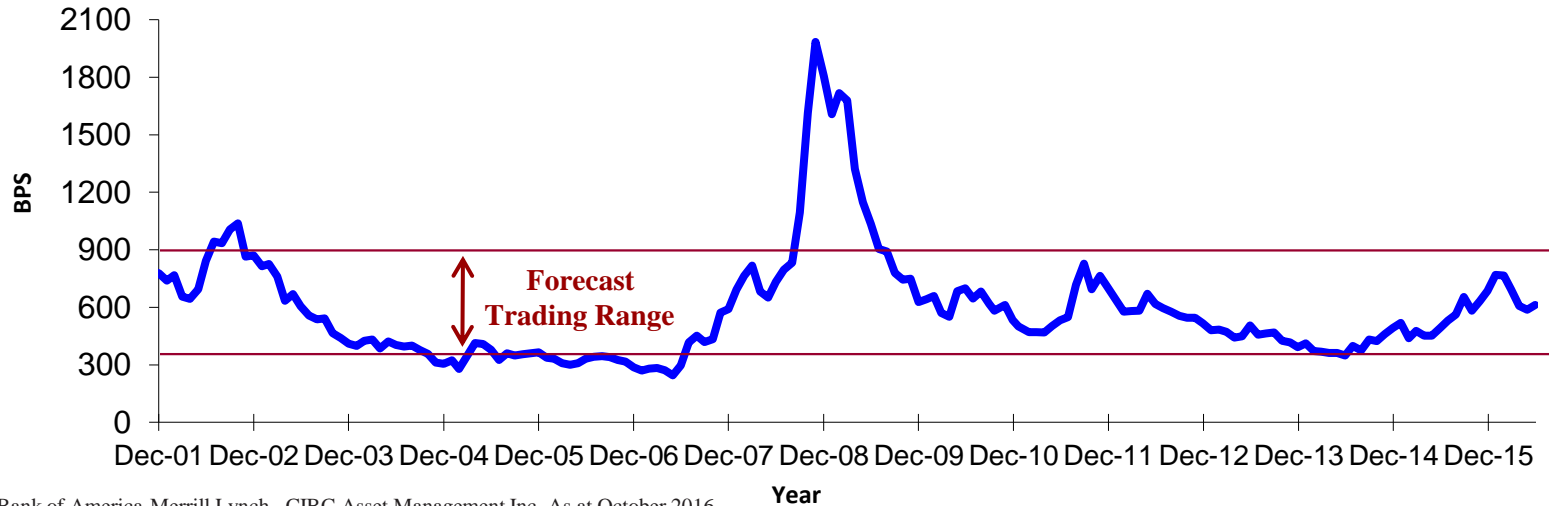


Source: FTSE/TMX Global Debt Capital Markets Inc. As at October 2016

Corporate bonds offer a lot of extra yield in a low interest rate world.

Strategy - High Yield Corporate Bonds Too

BoA-Merrill Lynch High Yield Corporate Spread



Source: Bank of America-Merrill Lynch., CIBC Asset Management Inc. As at October 2016

High yield spreads provide a cushion to rising government yields.

High Yield Market Fundamentals

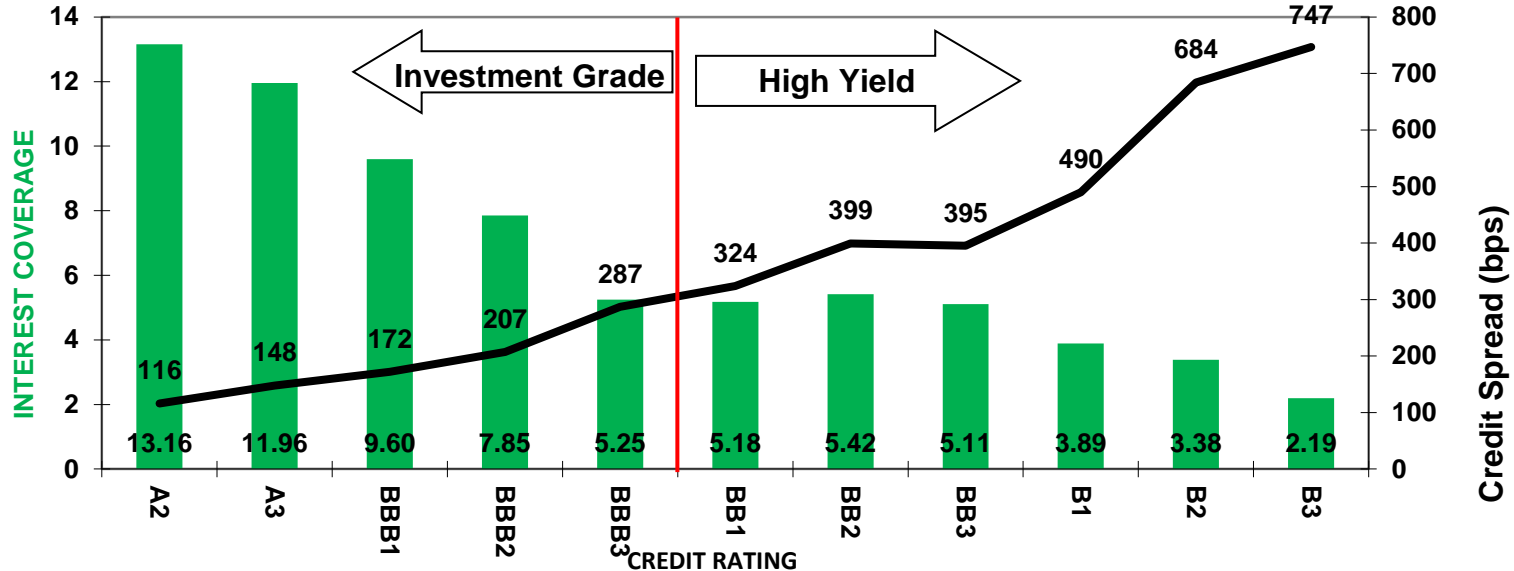
It's Not Junk



Many household companies with large market caps issue high yield bonds.

High Yield Market Fundamentals

Relative Value – Corporate Credit Curve



Source: Bloomberg, Bank of America Merrill Lynch. As at March 2016

The “Crossover” area is a sweet spot.

High Yield Market Fundamentals

It's Credit Risk ... Not Interest Rate Risk

Asset Class Correlation Matrix					
	U.S. High Yield	U.S. 10 Year Treasury Bond	U.S. Investment Grade Corporates	U.S. Equities	Canada Broad Bond Mkt.
U.S. High Yield	100.0%				
U.S. 10 Year Treasury Bond	-8%	100.0%			
U.S. Inv. Grade Corporates	56%	67%	100.0%		
U.S. Equities	62%	-18%	26%	100.0%	
Canada Broad Bond Mkt	18%	74%	67%	6%	100.0%
Canada Inv. Grade Cops	35%	60%	72%	9%	94%

Source: Bank of America Merrill Lynch. January 1993 - January 2016 monthly returns

Low correlation with other asset classes improves diversification.

Outlook Summary

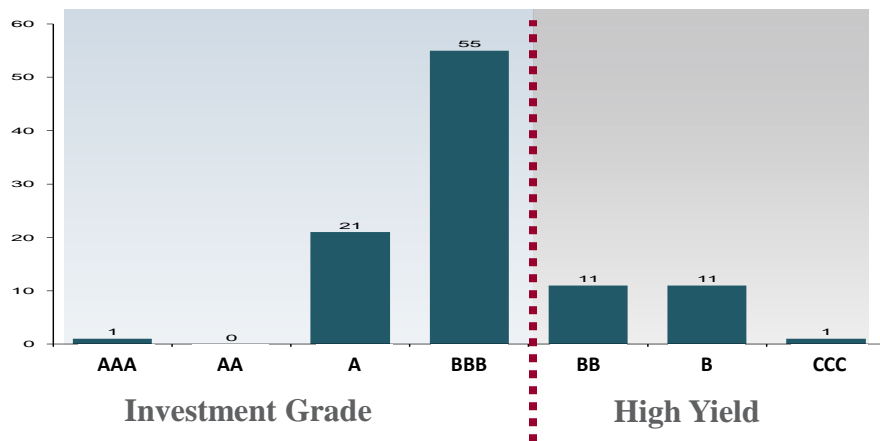
- **Growth will struggle to do better than 2%**
 - Inflation will remain subdued
- **Interest rates will remain low**
 - Volatility will continue, providing opportunities
- **Investors will look for attractive income-paying investments**
 - Corporate bonds are attractive

RETURNS ARE GOING TO BE LOWER FOR STOCKS AND BONDS

WE'VE ALL GOT TO SAVE MORE

Renaissance Corporate Bond Fund

Credit Mix - %



Industry Mix - %



	Yield	Duration
Renaissance Corporate Bond Fund	3.7%	6.2
Benchmark: FTSE TMX Corporate Bond Index: 80%		
BAC-ML U.S. High Yield Cash Pay Index (100% hedged in Cdn\$): 14%	3.1%	6.1
BAC-ML CAD and US\$ - Canadian Issuers Index (100% hedged in Cdn\$) 6%		

As at Sep 30, 2016

Source: FTSE/TMX Global Debt Capital Markets Inc, Bank of America-Merrill Lynch and CIBC Asset Management Inc.

For Advisor Use Only.

Renaissance High Yield Bond Fund



High Yield Correlations	
	US HY
US HY	100.0%
US 10 Year Treasury	-8%
US Inv Grade	56%
US Equities	62%
Canada Bond Mkt	18%
Canada Inv.Grade	35%

	Yield	Duration
Renaissance High Yield Bond Fund	6.0%	4.1
BAC-Merrill Lynch U.S. 90% BB/B Cash Pay – 100% Hedged Canada 10% BB/B Cash Pay – 100% Hedged	5.3%	4.3

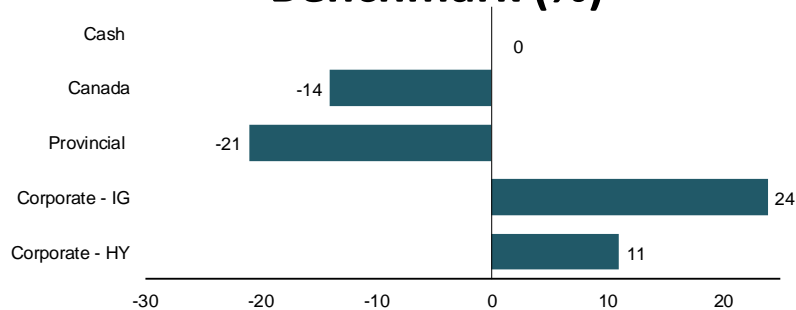
As at Sep 30, 2016

Source: FTSE/TMX Global Debt Capital Markets Inc, Bank of America-Merrill Lynch and CIBC Asset Management Inc.

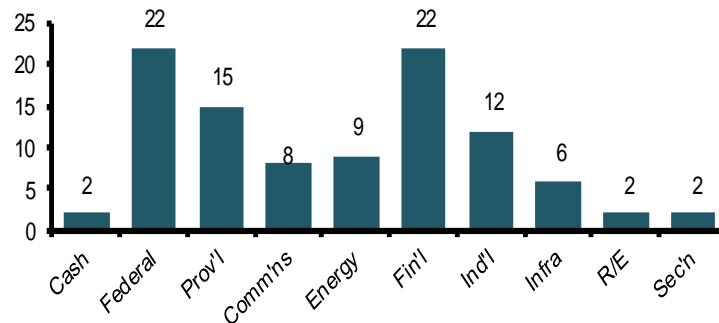
For Advisor Use Only.

Renaissance Canadian Bond Fund

Fund Weights Relative To Benchmark (%)



Industry Mix - %



	Yield	Duration
Renaissance Canadian Bond Fund	2.6%	8.1
FTSE/TMX Canada Universe Bond Index	1.7%	7.8

A Solid Foundation For Your Fixed Income Allocation

As at Sep 30, 2016

Source: FTSE/TMX Global Debt Capital Markets Inc. and CIBC Asset Management Inc.

For Advisor Use Only.

Partner With CIBC And Your Financial Advisor

CAMI Lineup of 4 and 5 Star Bond Funds

Performance

- Strong performance in fixed income mandates

Products

- The right lineup for any part of the cycle

Pricing

- Extremely competitive for investors

Renaissance Corporate Bond Fund – Premium



CIBC Canadian Bond Fund – Premium



Renaissance Canadian Bond Fund – Premium*



CIBC Canadian Bond Index – Premium*



CIBC Global Bond Index – Premium*



CIBC Global Bond



Source: CIBC Asset Management Inc.
Source: Morningstar 5-year rating at December 31, 2015 *3-year rating
For Advisor Use Only.

Thank You

Patrick O'Toole

Vice President, Global Fixed Income, CIBC Asset Management Inc.

- Patrick joined CIBC Asset Management as Vice President, Global Fixed Income in the spring of 2004 with responsibility for managing fixed income portfolios for several of the firm's clients. His activities include setting portfolio strategy, and ensuring implementation of, and compliance with, portfolio mandates. In addition, he is a member of several of CIBC Global's fixed income committees.
- Patrick has 25 years of experience in the fixed income markets and currently manages or co-manages over \$17 billion in fixed income assets.
- Patrick was awarded the Chartered Financial Analyst charter in 1993 and earned his Certified General Accountants designation in 1989. He is also a past-president of the Toronto CFA Society, and avid fan of squash, golf and The Boss.



Legal Disclaimer

© 2016 Morningstar Research Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance may be no guarantee of future results.

Morningstar Ratings reflect performance as of [date] and are subject to change monthly. The ratings are calculated from a fund's 3, 5, and 10-year returns measured against 91-day Treasury bill and peer group returns. For each time period, the top 10% of funds in a category get five stars. The Overall Rating is a weighted combination of the 3, 5, and 10-year ratings. For greater detail, see www.morningstar.ca.

The examples included in this presentation were included for illustration purposes only and should not be expected to be repeated nor are they indicative of future results. Hypothetical performance results and examples have many limitations. There may be material differences between hypothetical performance results and actual results subsequently received by the investor. One of the primary limitations of hypothetical performance results is that it may be prepared with the assistance of hindsight. In addition, the scenario does not include or account for the ability to withstand losses or adhere to a particular strategy which can adversely affect actual results. There are many other examples that are likely to have a material impact on actual results which cannot be accounted for in the preparation of hypothetical performance results.

Legal Disclaimer (continued)

This material was prepared for investment professionals only and is not for public distribution. Renaissance Investments is offered by CIBC Asset Management Inc. The views expressed in this document are the personal views of the authors and should not be taken as the views of CIBC Asset Management Inc. This document is provided for general informational purposes only and does not constitute financial, investment, tax, legal or accounting advice nor does it constitute an offer or solicitation to buy or sell any securities referred to. Individual circumstances and current events are critical to sound investment planning; anyone wishing to act on this document should consult with his or her advisor. The information contained in this document has been obtained from sources believed to be reliable and is believed to be accurate at the time of publishing, but we do not represent that it is accurate or complete and it should not be relied upon as such. All opinions and estimates expressed in this document are as of the date of publication unless otherwise indicated, and are subject to change. Any information or discussion about the current characteristics of this fund or how the portfolio manager is managing the fund that is supplementary to information in the prospectus is not a discussion about material investment objectives or strategies, but solely a discussion of the current characteristics or manner of fulfilling the investment objectives and strategies, and is subject to change without notice. Certain information that we have provided to you may constitute “forward-looking” statements. These statements involve known and unknown risks, uncertainties and other factors that may cause the actual results or achievements to be materially different than the results, performance or achievements expressed or implied in the forward-looking statements. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. ®Renaissance Investments is a registered trademark of CIBC Asset Management Inc. The material and/or its contents may not be reproduced without the express written consent of CIBC Asset Management Inc.

Legal Disclaimer (continued)

*Minimum deposit of \$100,000

Assumptions: The 1, 3 and 5 year horizon returns incorporate the benefits of incremental income. Returns under each scenario are influenced by various factors, which include changes in interest rates across the yield curve, changes in various credit spreads and income generated from holding the bonds for the horizon period. We also assume that the portfolio does not change and that the holdings as at August 31, 2016 are held over the horizon period. Any maturities are assumed to be reinvested in the portfolio at its average yield as at August 31, 2016. The returns shown are net of fees for Class F Premium. This example is for illustration purposes only and should not be expected to be repeated nor are they indicative of future results. Hypothetical performance results and examples have many limitations. There may be material differences between hypothetical performance results and actual results subsequently received by the investor. One of the primary limitations of hypothetical performance results is that it may be prepared with the assistance of hindsight or forecasts. In addition, the scenario does not include or account for the ability to withstand losses or adhere to a particular strategy which can adversely affect actual results. There are many other examples that are likely to have a material impact on actual results which cannot be accounted for in the preparation of hypothetical performance results. This material was prepared for investment professionals only and is not for public distribution. Renaissance Investments is offered by CIBC Asset Management Inc. This information is provided for informational purposes only and is not intended to provide financial, investment, tax, legal or accounting advice, and should not be relied upon in that regard or be considered predictive of any future market performance. The information contained in this document has been obtained from sources believed to be reliable and is believed to be accurate at the time of publishing, but we do not represent that it is accurate or complete and it should not be relied upon as such. All opinions and estimates expressed in this document are as of the date of publication unless otherwise indicated, and are subject to change. Any information or discussion about the current characteristics of this fund or how the portfolio manager is managing the fund that is supplementary to information in the prospectus is not a discussion about material investment objectives or strategies, but solely a discussion of the current characteristics or manner of fulfilling the investment objectives and strategies, and is subject to change without notice. You should not act or rely on the information without seeking the advice of a professional. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the simplified prospectus before investing. To obtain a copy of the simplified prospectus, call 1-888-888-FUND (3863). Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. * Renaissance Investments is a registered trademark of CIBC Asset Management Inc. The material and/or its contents may not be reproduced without the express written consent of CIBC Asset Management Inc. FTSE TMX Global Debt Capital Markets Inc. ("FTDCM"), FTSE International Limited ("FTSE"), the London Stock Exchange Group companies (the "Exchange") or TSX INC. ("TSX" and together with FTDCM, FTSE and the Exchange, the "Licensor Parties"). The Licensor Parties make no warranty or representation whatsoever, expressly or impliedly, either as to the results to be obtained from the use of the FTSE TMX Canada Universe Bond Index and the FTSE TMX Canada All Corporate Bond Index ("the Indices") and/or the figure at which the said Indices stands at any particular time on any particular day or otherwise. The Indices are compiled and calculated by FTSEDCM and all copyright in the Index values and constituent lists vests in FTDCM. The Licensor Parties shall not be liable (whether in negligence or otherwise) to any person for any error in the Index and the Licensor Parties shall not be under any obligation to advise any person of any error therein. "TMX" is a trade mark of TSX Inc. and is used under licence. "FTSE" is a trade mark of FTSE International Limited and is used by FTDCM under licence.