

Traditional vs. Specialty Fixed Income – what they deliver

Specialty Fixed Income

Maximizing current income and total return

- Higher yields
- Lower interest rate risk
- Higher credit risk

Traditional Fixed Income

Lower volatility and diversification benefits

- Portfolio stability
- Lower credit risk and variability in returns
- Lower yields and greater sensitivity to rising interest rates

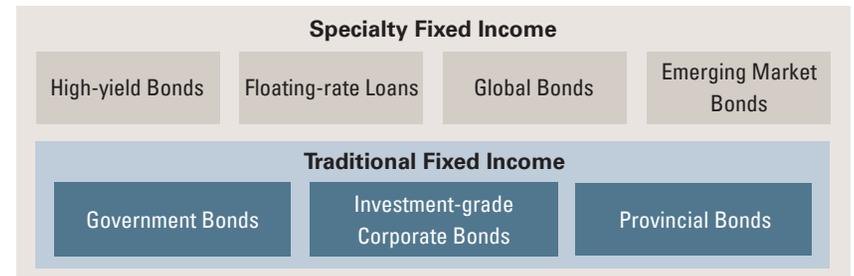
Does your balanced fund capitalize on the opportunities across both traditional and specialty fixed income?

Is your balanced fund missing out on yield opportunities?

Balanced doesn't always mean diversified. Many balanced funds ignore the broader range of fixed income assets – specialty fixed income can complement traditional bonds to enhance yield and dampen volatility.

Take a closer look at the fixed income component of your balanced fund to see if it's fully diversified across the entire fixed income opportunity set.

Fixed Income Opportunity Set



Importance of Fixed Income Diversification

1. Reduce Risk

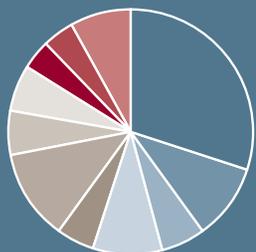
Diversification across a broader fixed income spectrum can help mitigate the risks (interest rate, credit, inflation and liquidity) of fixed income investing.

The low correlation between traditional and specialty fixed income can help lower risk

Asset Class	Canadian Bonds	Real Return Bonds	Government Bonds	Corporate Bonds	U.S. High-yield Bonds	Floating-rate Loans	GICs	Global Bonds	Emerging Market Bonds
Canadian Bonds	1.00								
Real Return Bonds	0.90	1.00							
Government Bonds	0.99	0.88	1.00						
Corporate Bonds	0.94	0.87	0.90	1.00					
U.S. High-yield Bonds	0.58	0.60	0.54	0.64	1.00				
Floating-rate Loans	0.03	0.04	-0.01	0.16	0.64	1.00			
GICs	0.12	0.04	0.12	0.12	0.12	0.14	1.00		
Global Bonds	0.59	0.45	0.65	0.39	0.34	0.09	0.10	1.00	
Emerging Markets Bonds	0.67	0.63	0.63	0.73	0.79	0.48	0.17	0.49	1.00

Source: Morningstar Direct. Monthly return correlation from 1/31/2019 to 12/31/2023.

Strategic Asset Allocation¹



- 30% Renaissance Canadian Bond Fund
- 10% Renaissance Short-Term Income Fund
- 6% Renaissance Global Bond Private Pool
- 9% Renaissance High-Yield Bond Fund
- 5% Renaissance Floating Rate Income Fund
- 12% Renaissance Canadian Dividend Fund
- 6% Renaissance U.S. Equity Income Fund
- 6% Renaissance U.S. Equity Growth Fund
- 4% Renaissance International Dividend Fund
- 4% Renaissance International Equity Fund
- 8% Renaissance Global Infrastructure Fund

Fund options to fit your needs:

- [Class A](#)
- [Class F](#)
- Available in T-Class: T4, FT4, T6, FT6

2. Enhance Return

Holding a mix of fixed income asset classes provides a portfolio with both offense and defense. This enables you to benefit from bond market segments that are performing well and protects you against segments that are performing poorly.

A diversified fixed income portfolio can access a wider range of returns

Rank	2016	2017	2018	2019	2020	2021	2022	2023
1	U.S. High-yield Bonds 13.4%	Corporate Bonds 3.4%	Floating-rate Loans 10.3%	Emerging Market Bonds 8.6%	Real Return Bonds 13.0%	Floating-rate Loans 4.5%	Floating-rate Loans 6.1%	U.S. High-yield Bonds 10.4%
2	Emerging Market Bonds 6.4%	Canadian Bonds 2.5%	U.S. High-yield Bonds 6.5%	U.S. High-yield Bonds 8.6%	Corporate Bonds 8.7%	U.S. High-yield Bonds 4.5%	GICs 2.9%	Floating-rate Loans 10.0%
3	Floating-rate Loans 6.1%	Government Bonds 2.2%	Emerging Market Bonds 4.0%	Corporate Bonds 8.1%	Government Bonds 8.7%	Real Return Bonds 1.8%	U.S. High-yield Bonds (4.8%)	Corporate Bonds 8.4%
4	Corporate Bonds 3.7%	Emerging Market Bonds 2.1%	GICs 1.7%	Real Return Bonds 8.0%	Canadian Bonds 8.7%	GICs 1.0%	Corporate Bonds (9.9%)	Emerging Market Bonds 7.4%
5	Global Bonds 2.9%	GICs 1.4%	Government Bonds 1.5%	Canadian Bonds 6.9%	U.S. High-yield Bonds 4.3%	Corporate Bonds (1.3%)	Emerging Market Bonds (10.4%)	Canadian Bonds 6.7%
6	Canadian Bonds 1.7%	Real Return Bonds 0.7%	Canadian Bonds 1.4%	Government Bonds 6.4%	Emerging Markets Bonds 4.0%	Emerging Markets Bonds (2.4%)	Canadian Bonds (11.7%)	Government Bonds 6.1%
7	GICs 1.4%	U.S. High-yield Bonds 0.4%	Corporate Bonds 1.1%	Floating-rate Loans 2.7%	GICs 1.3%	Canadian Bonds (2.5%)	Government Bonds (12.3%)	GICs 3.9%
8	Government Bonds 0.9%	Floating-rate Loans (2.6%)	Real Return Bonds (0.0%)	GICs 2.1%	Floating-rate Loans 1.0%	Government Bonds (3.0%)	Real Return Bonds (14.3%)	Real Return Bonds 2.0%

Source: Morningstar Direct.

Don't leave your bond allocations unattended

¹ As at December 8, 2023.

Fixed income asset classes represented by the following indices: Canadian Bonds – FTSE Canada Universe Bond, Real Return Bonds – FTSE Canada Real Return Bond, Government Bonds – FTSE Canada Government Bond, Corporate Bonds – FTSE Canada All Corp Bond, U.S. High Yield Bonds – BofAML U.S. HY Master II TR USD, Floating Rate Loans – Credit Suisse Leveraged Loan USD, GIC – Average 5-Yr GIC, Global Bonds – Citi World Government Bond CAD, Emerging Markets Bonds – JPM EMBI Global TR USD.

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