



**DYNAMIC**  
**[LIVE]**  
FOCUS SERIES

**FIXED INCOME  
IN FOCUS**

# Turn Your Passive To Active

## DXBB · DXCB

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# No Interest Rate Management TLT ETF



Source: Bloomberg, Yahoo. Nov. 8, 2024

# The New Paradigm

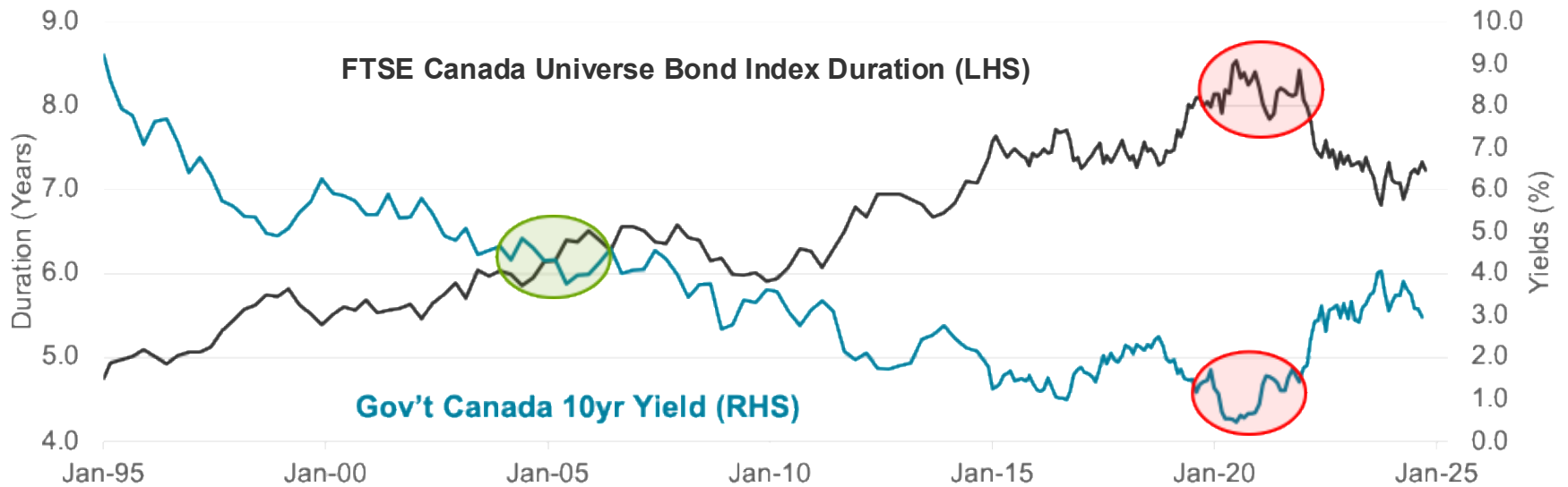
## Highest yields since pre-GFC



Source: Bloomberg Nov. 13, 2024

# No Interest Rate Management

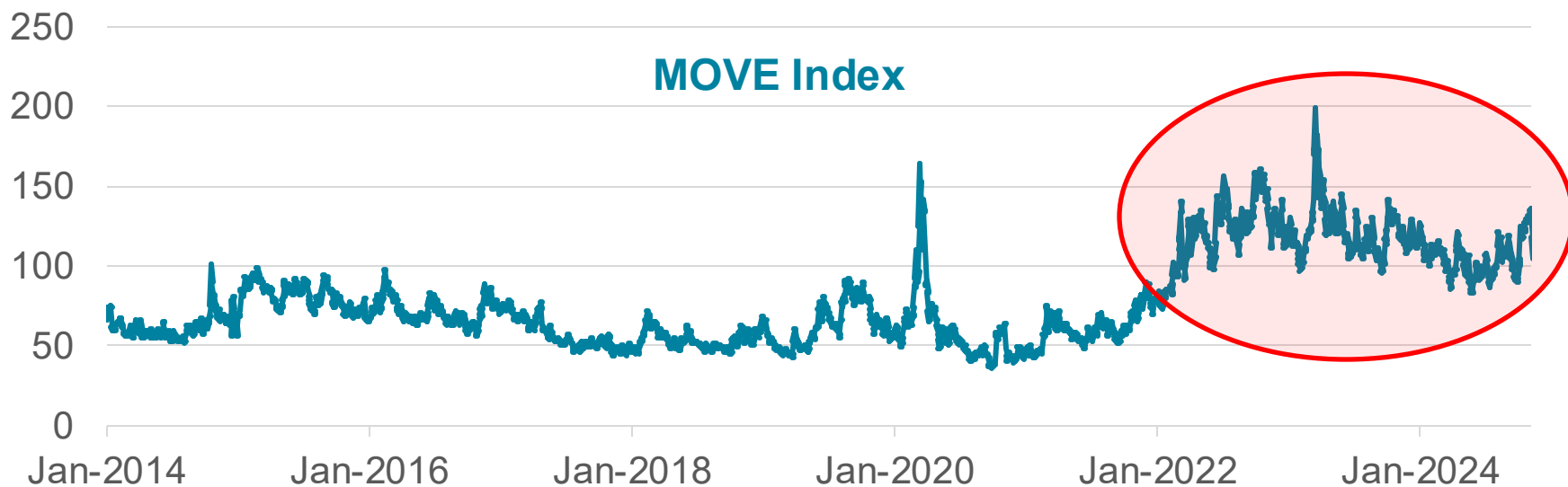
## Index risk rose while yields fell



Source: Bloomberg, PC Bond as of Sept. 30, 2024

# No Interest Rate Management

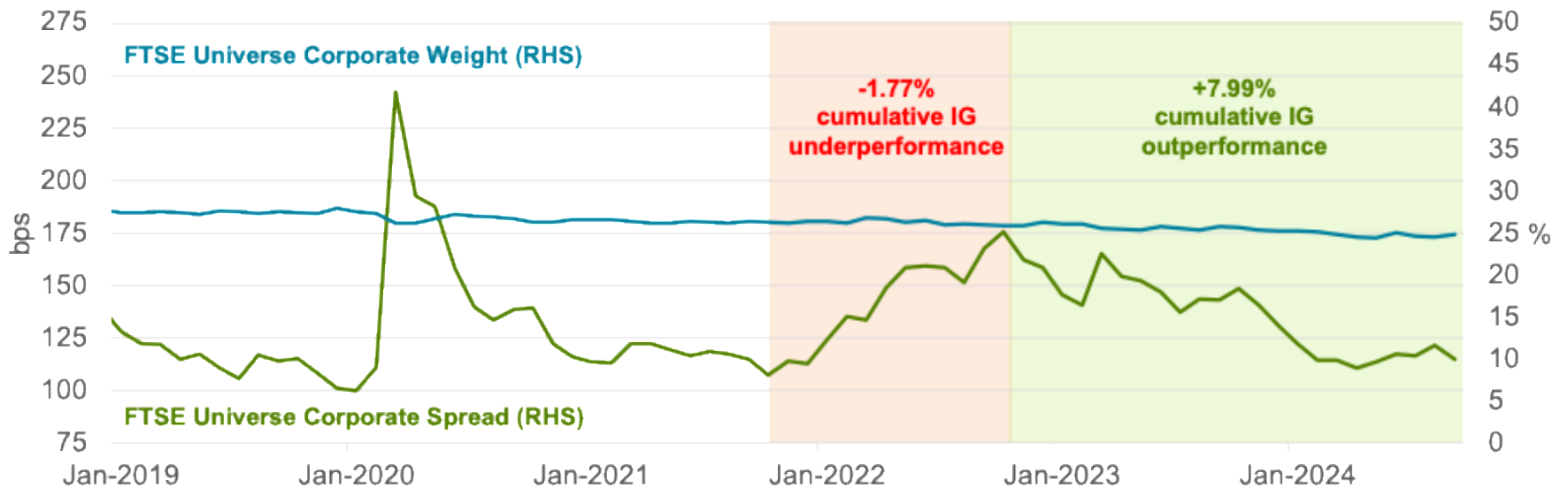
## Interest rate volatility has risen



Source: Bloomberg Oct. 31, 2024

# No Asset Allocation

## Missed opportunities



Source: FTSE, Bloomberg as of Oct. 31, 2024  
 Cumulative performance of investment grade corporate index relative to government bond index



## No Credit Analysis

## Broad credit index risks have risen in Canada

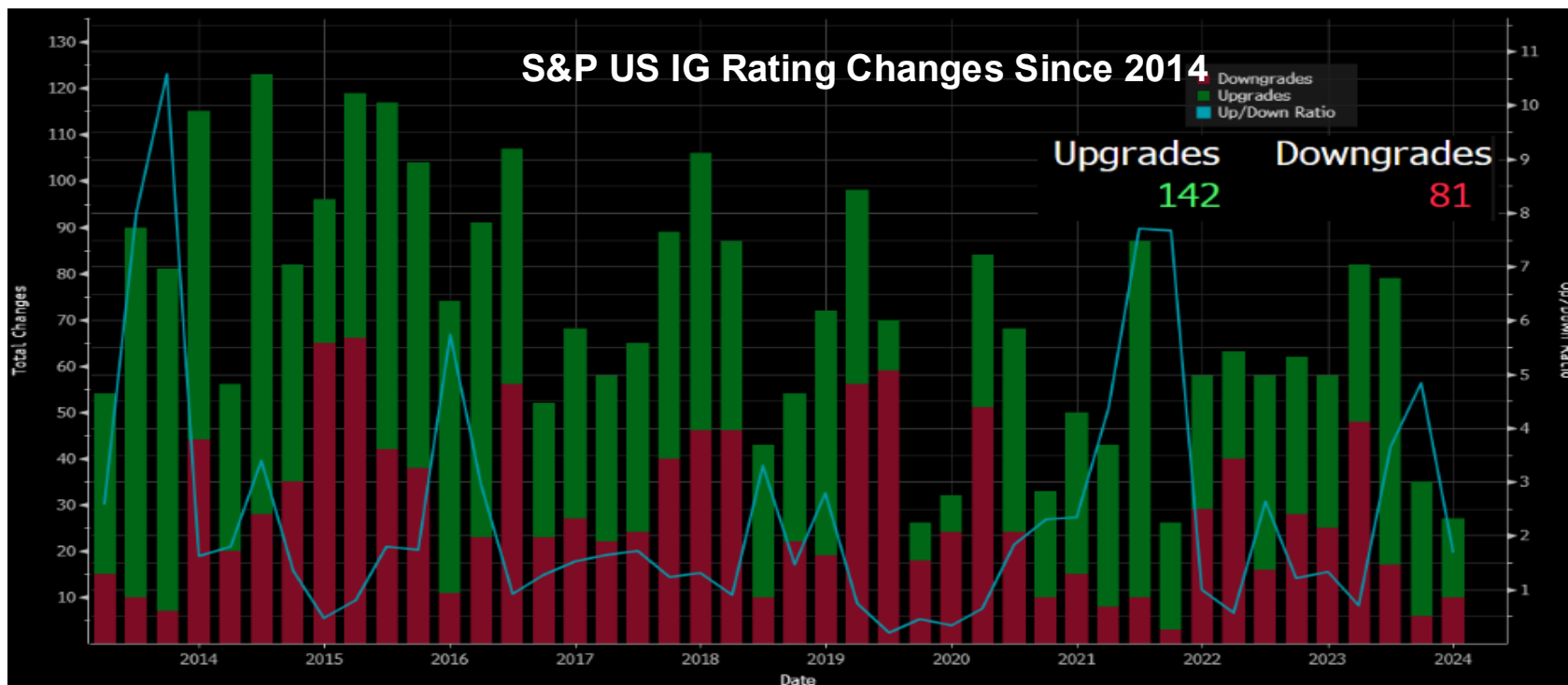
### Market value of BBB issues in corporate index

March 2008	October 2024
16.8%	43.5%

Source: FTSE as of Oct. 31, 2024

# No Credit Analysis

Upgrades exceeded downgrades - There are opportunities



Source: Bloomberg as of Nov. 13, 2024

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Invest with advice.



## Greater Costs

### Largest passive bond ETFs underperformed their indices over 10 years

**-1.88%** vs. FTSE Canada Universe Bond Index

**-4.60%** vs. FTSE Canada All Corporate Bond Index

Source: Cumulative underperformance as of Sept. 30, 2024. Calculation based on average annual 10 years of reported tracking error for XBB & XCB. <https://www.blackrock.com/ca/investors/en/products/239485/ishares-canadian-corporate-bond-index-etf>  
<https://www.blackrock.com/ca/investors/en/products/239493/ishares-canadian-universe-bond-index-etf>



## Passive Fixed Income Has Inherent Problems

**No** interest rate management

**No** credit analysis

**No** valuation assessment: indiscriminate buying

**Hidden costs** due to replication challenges

**Greater costs** from tracking error

Source: "Passive bond fund management is an oxymoron" Choi, Cremers, Riley <https://ssrn.com/abstract=3557235>



## Outperformance Only Possible With Active Process

### Using five alpha drivers

**Credit Management** – Buy winners, avoid losers

**Asset Allocation** - Add and subtract risk over a cycle

**Duration and Yield Management** – Generate income and protect capital

**Derivatives Strategies** – Hedge risks and add returns

**Currency** – Take advantage of secular opportunities

## Most Focus On Two Drivers



Credit  
Management



Asset  
Allocation

## We Focus On 5 Drivers





## Credit Management

### Money good

# 0

## Defaults

As of Sept. 30, 2024. The team's tenure beginning in 2004, the mandates in their care have owned no credits nor securities that have defaulted during the time of ownership.



## Credit Management

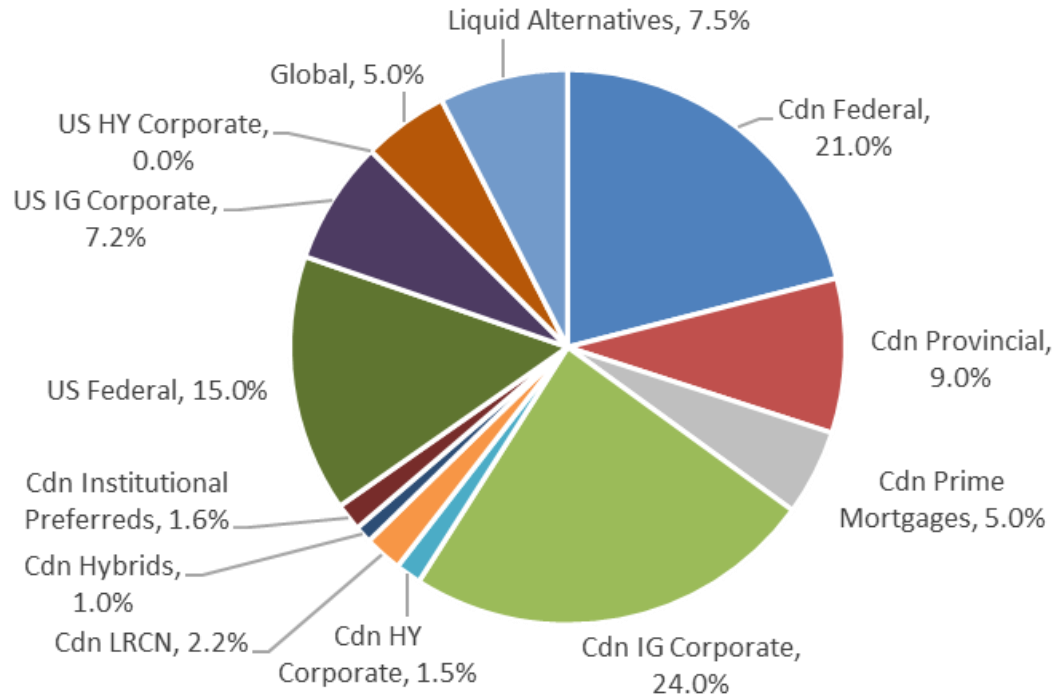
### Managing risks, sourcing opportunities

- Fundamental credit process
- Hedging overlay strategies
- Finding underrepresented credits
- Selling winners to buy creditworthy underperformers
- Non-Canadian opportunities

# Asset Allocation

## Not like the index

### DXBB

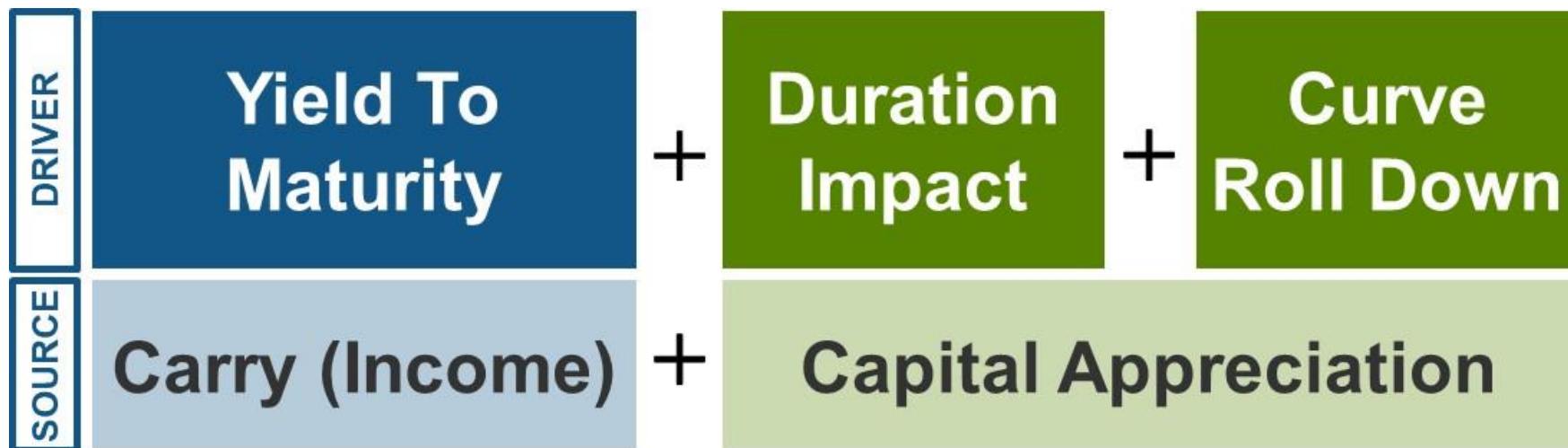


Source: Dynamic Funds DXBB model, FTSE as of Oct. 14, 2024

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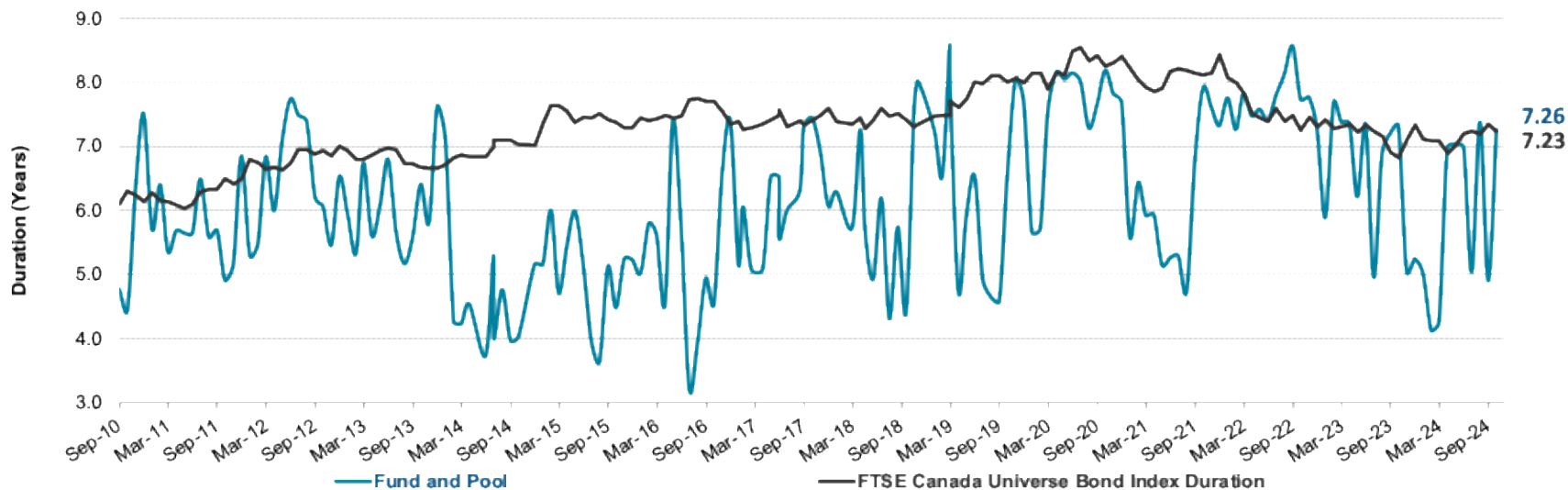
## Fixed Income Returns

It's more than just yield-to-maturity – Optimize!



# Rates Management

## More active than the competition



Source: Dynamic Funds, monthly data as of Oct. 31, 2024  
 Dynamic Total Return Bond Fund, Dynamic Tactical Bond Private Pool



## Derivatives Strategies

### Additional alpha

- Hedging and income/profit strategies
- Credit and rate focused
  - Bond futures
  - Credit default swaps
- Option writing and buying
- Where opportunities align with market and portfolio views
- Take advantage of volatility and event driven opportunities

# Derivatives Strategies

## Additional alpha

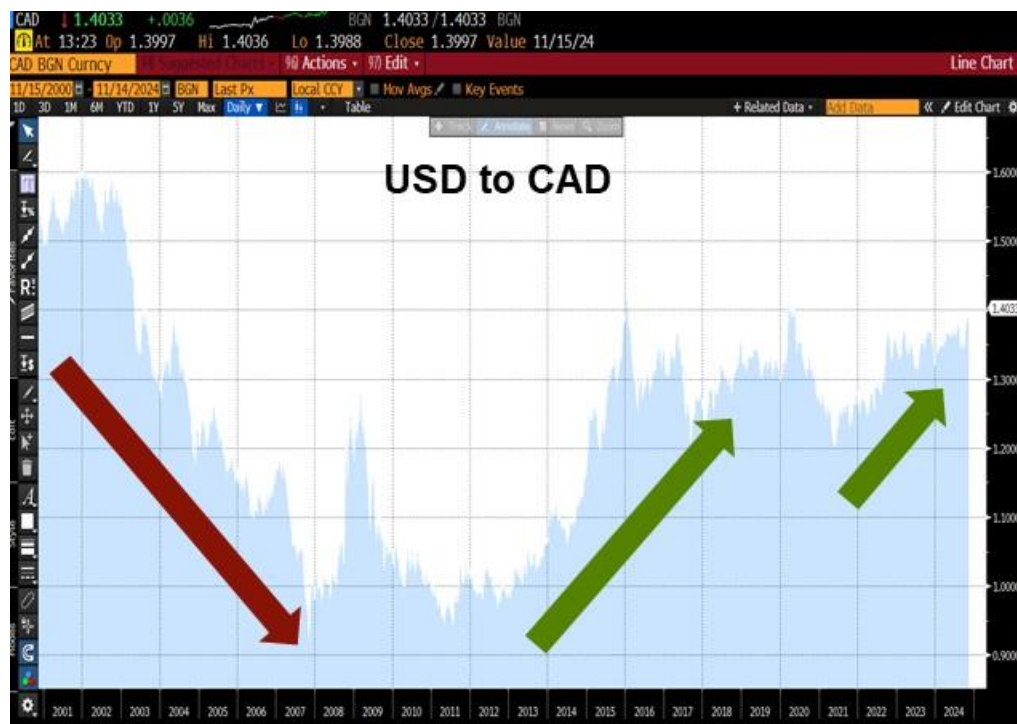


Source: Bloomberg

# Currency Management

## Secular opportunities

- Secular long-term view of Non-CAD
- Maximum US exposure 30%
- Maximum unhedged 10% of US exposure



Source: Bloomberg



# DXBB · DXCB

## Value Statement

**DXBB**

**Government · Credit**

**DXCB**

**Credit**

Active across all **five alpha drivers**

**Outperform** benchmarks + **mitigate** drawdowns

“**One-stop**” solutions or **FI building block**

Experience of entire **Core Fixed Income Team**

# Five Drivers: Allocation of Responsibilities



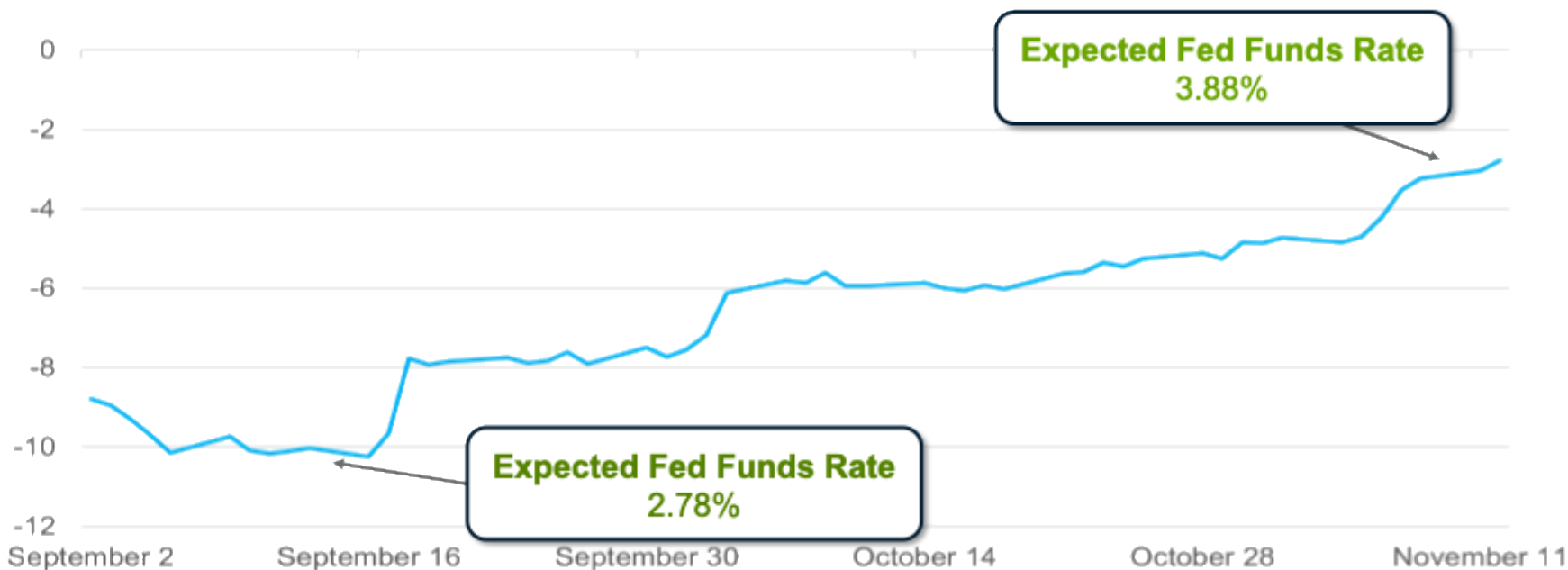
# Key Facts

Key Facts	DXBB	DXCB
Focus	Government - Credit	Credit
Management Fee	30 bps	35 bps
Gross Yield to Maturity*	4.65%	5.30%
Distribution	4.20%	4.60%
Working Duration Range (vs. BM)	-2.5 to +1.0 years	-2.0 to 0.5 years
Maximum Allowable Duration Range (vs. BM)	0 absolute to +1.5 years	0 absolute to +1.5 years
Minimum Weighted Ave. Credit Rating	A-	BBB-
Minimum Government Bonds	30%	N/A
Maximum Credit	70%	100%
Maximum High Yield	25%	25%

\*Model as of Oct. 15, 2024

# Number of Fed Rate Cuts Expected By December 2025

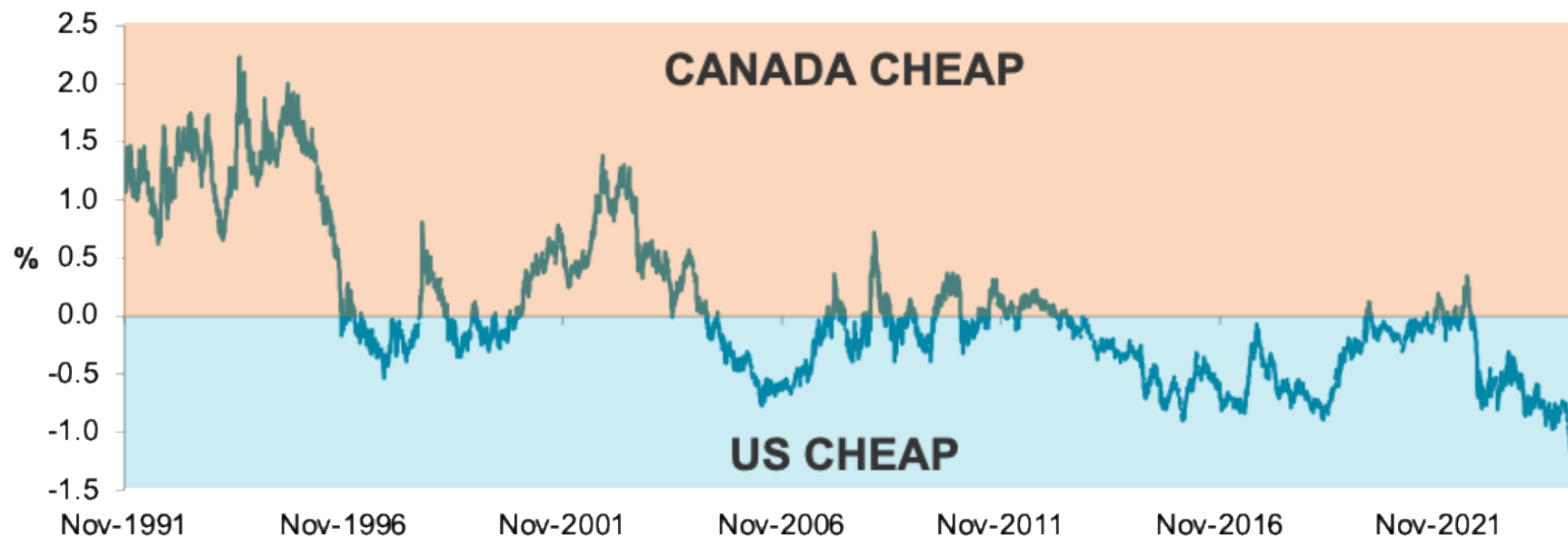
## “Recalibration” of policy expectations



Source: Bloomberg as of Nov. 12, 2024

# Canada/US 10 Year Yield Spread

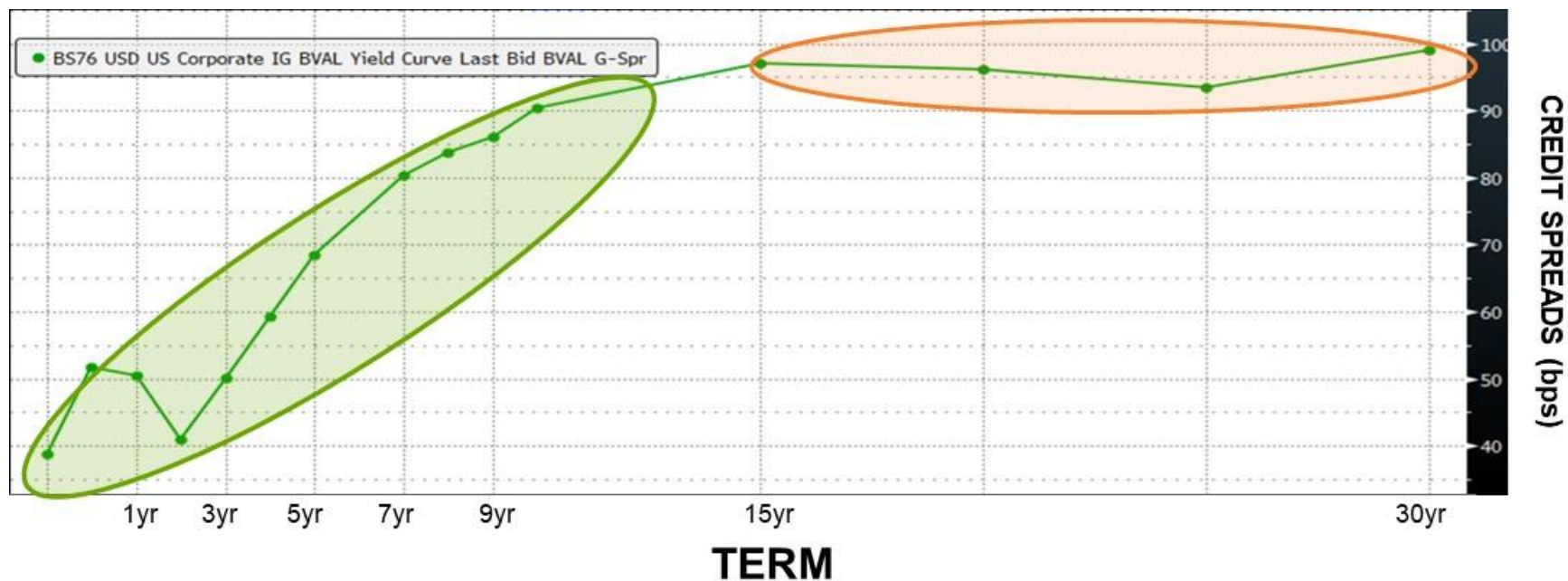
## US cheap, add US over Canada



Source: Bloomberg as of Nov. 12, 2024

# U.S. Investment Grade Credit Curve

## Underweight the long end



Source: Bloomberg as of Nov. 12, 2024



## Who Are These Mandates For?

### Advisors:

- In need of an all-in-one or building block solutions
- Unwilling to take on excessive passive index risks
- Looking to take advantage of highest yields since pre-GFC
- Want alignment between manager compensation and client outcomes



# Dynamic Short Term Credit PLUS Fund



## A Simple Proven Long Term Strategy

### A short term credit fund with leverage

- Focus on **short term (≤5yr) North American investment grade corporates**
- **Prudent use of leverage** to increase returns
- High **margin of safety** due to attractive running yield
- Benefit from **fundamental credit process** and **access to US market**
- **No performance fees**

# Dynamic Short Term Credit PLUS Fund

<b>Distributions</b>	Monthly, Fixed
<b>Monthly \$ Amount</b>	\$0.0488/unit – Series F
<b>Annualized Yield*</b>	5.63% – Series F

## Fund Codes

Series	FE	Series	No Load
A	3127	F	3128
H	3131	FH	3132
		I	3129
		ETF	DXCP

\* Distribution yield calculated using the annualized fixed monthly distribution amount divided by the month-end NAV of Series F units of the fund  
As of Oct. 31, 2024



## Important information

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