

Bellwether Fixed Income Strategy



June 28, 2024

Fixed Income Overview

- **What:** Income-generating securities that return initial capital after they mature, such as bonds, GICs, preferred shares, and loans.
- **Why:** Predictable income streams, reduces portfolio volatility, and the potential for attractive returns in certain environments (falling interest rates, wide credit spreads).
- **Who:** Retirees supplementing income needs, low-risk profile clients, and growth investors seeking attractive opportunities other than stocks.

An Afterthought to Some

Many have neglected fixed income, choosing to employ a simple ladder approach of spreading bond maturity dates over a specific period. More recently, fixed income exchange-traded funds (ETFs) have gained popularity, but are again focused on bonds. Historically, such a strategy proved effective as bond prices move in opposition to interest rates, but recent events have questioned its viability. Rising interest rates and surging government debt burdens have not been kind to bond investors.

An Opportunity to Bellwether

As fiduciaries, Bellwether has never shied away from going against industry norms if carving our own path better served clients. We cannot overstate the importance of fixed income in the vast majority of portfolios. Our goal was to create a true fixed income solution that not only generated higher income, but also dampened overall portfolio volatility through heightened diversification.

Performance Summary (as at June 30, 2024)

	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception [†]
Bellwether Fixed Income Composite ¹	6.39%	11.84%	3.32%	4.98%	4.65%	5.86%
FTSE Canadian Bond Universe Total Return Index ²	-0.37%	3.69%	-1.78%	-0.05%	1.90%	2.91%

[†] Since inception date: December 31, 2009.

¹ The performance data presented is before investment management fees. The performance of our solutions is not guaranteed, their values change frequently and past performance may not be repeated. The performance presented herein is based on our Bellwether Fixed Income Composite Mandate which is comprised of 20% Preferred Shares/35% BIM Fixed Income Fund/45% BIM Alternative Income. Detailed performance history (calculated using the time-weighted modified Deitz method) and relevant benchmark data is available on request.

² Index data is reported on a total return basis (TRI = includes income and capital appreciation).

The Method

The innovative strategy integrates our in-house expertise with that of various third-party managers to access global public and private market securities. Bonds still have their place under the right circumstances, but we have opened our minds to more unique fixed income approaches—ones typically reserved for large, institutional investors.

The Global Financial Crisis introduced new regulatory changes, unveiling many exciting opportunities with proven track records. Private lenders are going through what some would call a golden era, as banks are either unwilling or incapable of competing in their niches.

The Solution

Successful fixed income investing ultimately boils down to earned interest and the level of certainty that your capital will be returned after a specified period. Our investment team spends considerable time evaluating the ability of our managers to achieve these goals through our rigorous due diligence process.

Taken together, Bellwether's Fixed Income Strategy provides clients with the flexibility to grow their wealth, generate predictable income, and provide short-term liquidity as needed. More recently, our approach has demonstrated superior resilience and the capability for sustained, strong performance in an incredibly challenging environment. It's not that fixed income is boring; it simply requires forward-thinkers to thrive.



Common Misconceptions

Fixed income is often viewed as lacklustre with little room for evolution—a notion we firmly disagree with. If, as an asset class, it hasn't received the same attention as equities, that simply means there's more room to innovate. Even the most growth-oriented investor should consider the benefits a robust, novel fixed income strategy can offer their portfolio.

“I don't need fixed income”

While technically true, the same can be said about investing in general. Preconceived notions regarding fixed income have come and gone before, much like the efficacy of the bond ladder, but to ignore new opportunities that can dampen overall portfolio volatility may not be wise.

“Fixed income is for retirees”

Demographically speaking, retirees tend to reduce equity exposure to help manage risk and supplement their lost salary through fixed income. Even growth investors, however, can benefit from reinvesting compounding returns to get ahead and reduce portfolio risk.

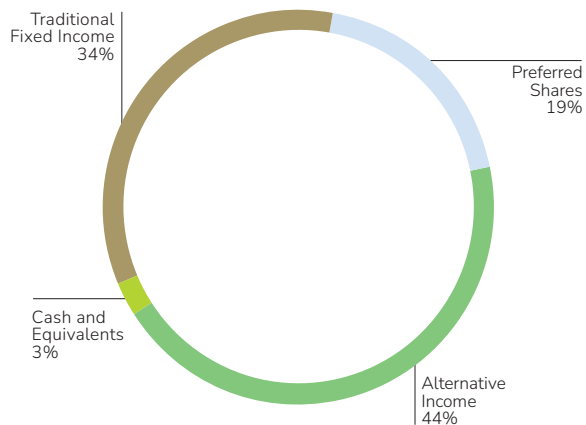
“Fixed income can't match equity returns”

Maybe, maybe not. With proper management, however, fixed income securities can provide more flexibility to grow and preserve your wealth. If your only option to withdraw capital from your portfolio is to sell stocks, you may be harming your long-term prospects. Fixed income can sustain your cash needs without forcing you to jeopardize what you've worked so hard for.

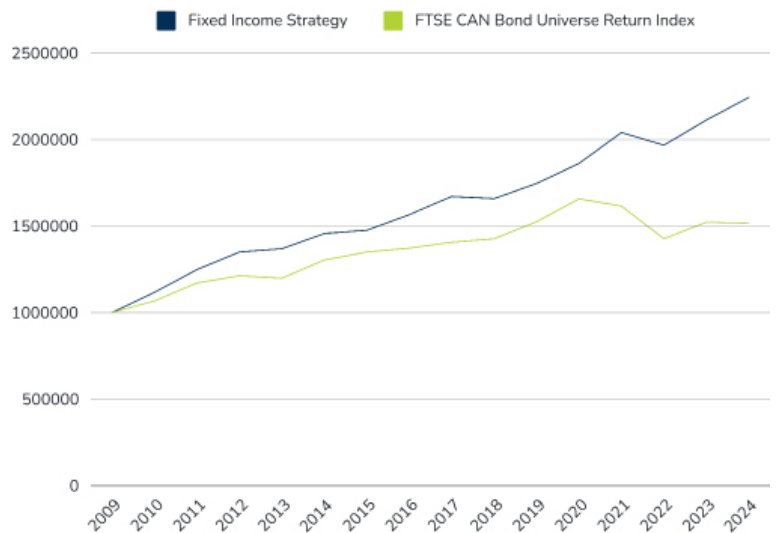
Investment Manager

Bellwether Investment Management Inc. (“Bellwether”) is a leading North American investment management firm that specializes in providing a wide range of investment solutions to clients. With a team focused on protecting our clients' hard-earned savings and helping them meet their financial goals, the firm offers access to both traditional and alternative asset classes, including public and private markets. Bellwether is dedicated to helping clients achieve their investment goals while managing risk. Whether you are a family, business owner, not-for-profit or foundation, we have the expertise, resources, and proven track record to help you succeed in today's complex investment landscape.

Asset Distribution (As at June 30, 2024)



Comparative Growth of \$1,000,000



For further information please contact your Family Wealth Advisor or visit our website at: bellvest.ca

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