INVESTMENT FUNDS

BOND

MONTHLY COMMENTARY

November 30, 2021

Market and Portfolio Update

In November 2021, the yield on 10-year Canadian government bonds fell by 15 basis points, from 1.72% on October 29 to 1.57% on November 30. The yield on U.S. Treasury bonds with the same maturity fell by 11 basis points, from 1.55% at the end of October to 1.44% at the end of November.

November was a positive month for the Canadian Universe Bond Index; however, all this positive performance was realized within the last week, when concerns over the new COVID variant, Omicron, brought volatility back into the financial markets. This new variant has severely shaken investor confidence. As an example, Friday, November 26, was the market session that saw the largest rate drop since March 2020, at a time when we were beginning to learn more about COVID-19 and the major issues that were arising. Risky assets such as equities and corporate credit spreads also took a hit with the news surrounding Omicron. The market reacted strongly to the announcement of this new variant, particularly out of fear that currently available vaccines would not be effective against this mutation. There was also concern that the supply issues experienced in recent months would be exacerbated by government restrictions, as seen with the Delta variant.

Furthermore, November was a month in which the U.S. central bank took a harder line on inflation, which, in its view, is not as transitory as expected. Indeed, during a speech on November 30, Jerome Powell, Chairman of the Board of Governors of the U.S. Federal Reserve, surprised the market on this subject. Powell, historically quite conservative and cautious in his speeches, indicated that he was thinking of accelerating the reduction of the Fed's quantitative easing (taper) and that it was time to retire the word "transitory" when talking about current inflation. The market took this change in tone as a more aggressive signal that the policy rate tightening cycle would begin sooner than expected, resulting in a significant flattening of the yield curve. Similarly, the Canadian bond index rebalancing and the coupon payment on December 1st caused volatility in the Canadian market and accentuated the flattening of the yield curve observed since Powell's speech.

iA Financial Group

#1 in net sales of segregated funds in Canada since 2016

iA Investment Management

Credit spreads, as mentioned above, widened in response to the emergence of the Omicron variant and the subsequent market volatility. Although we take the COVID-19 situation very seriously and monitor it closely, we still consider credits to be attractive in our portfolios as they offer a good return given the low level of bond rates. We therefore took advantage of the sudden widening of corporate credit spreads to add specific products to our portfolios.

In conclusion, we continue to maintain our shorter duration bias than our benchmark, as we believe we will see higher bond yields by the end of 2021 and into 2022.

We continue to maintain our shorter duration bias than our benchmark, as we believe we will see higher bond yields by the end of 2021 and into 2022.

ALEXANDRE MORIN, CFA

— Principal Portfolio Manager
— Joined iAIM in 2015
— More than 20 years of investment experience
— Bachelor’s degree in Business Administration, Université Laval

Main funds managed by the team

✓	Money Market
✓	Short Term Bond
✓	Bond
✓	IA Clarington Bond Fund
✓	IA Clarington Money Market Fund
✓	IA Clarington Real Return Bond Fund

iAIM snapshot

— Principal asset manager for iA Financial Group
— Major player in the asset management industry
— Manages $97 billion in general portfolios and segregated and mutual funds
— A team of 184 people, including 108 investment professionals (including 44 CFA charterholders)
— Composed of experienced managers who emphasize fundamental analysis, identification of value and long-term investing

DISCLAIMER

This document was prepared by iA Investment Management. Unless otherwise indicated, the segregated funds presented in this document are offered by iA Financial Group and the Mutual Funds presented are offered by iA Clarington Investments Inc.

The opinions expressed herein are based on current market conditions and may change without notice. They are not intended to provide investment advice. The forecasts provided herein are not guarantees of future performance, and include risks, uncertainty and assumptions. While these assumptions appear reasonable, there is no guarantee that they will be confirmed.

An investment in the mutual fund or the segregated fund may result in commissions, trailing commissions, management and other fees. Please read the prospectus or the Information Folder before making an investment. Each rate of return indicated is a historical annual compounded total rate of return that takes into account fluctuations in the value of units or shares and the reinvestment of all distributions and does not take into account buying commissions or redemption fees, investment fees, optional fees or tax on payable income by a unit holder, which would contribute to poor performance. Mutual Funds are not guaranteed and the segregated funds are guaranteed in part, under certain conditions. The value often fluctuates upward or downward, at the risk of the subscriber, and past performance is not indicative of future performance.

The rate of return is used to illustrate the effects of the compound growth rate only and is not intended to reflect the future values of the investment fund or the return on an investment in the investment funds.

iA Financial Group is a business name and trademark of Industrial Alliance Insurance and Financial Services Inc. iA Investment Management is a trademark and business name under which Industrial Alliance Investment Management Inc. operates. iA Investment Management and iA Clarington Investments Inc. are wholly owned subsidiaries of iA Financial Group.

This publication contains information provided by companies not affiliated with iA Financial Group ("Third Party Content Providers"), including, but not limited to, ratings, stock indexes and company-classification systems ("Third Party Content") Third party Content is the property and trademarked by the relevant Third Party Content Providers and has been licensed for use by iA Financial Group. The use of Data received from Third Party Content Providers by iA Financial Group is authorized under licence.

This publication contains information provided by companies not affiliated with iA Financial Group ("Third Party Content Providers"), including, but not limited to, ratings, stock indexes and company-classification systems ("Third Party Content") Third party Content is the property and trademarked by the relevant Third Party Content Providers and has been licensed for use by iA Financial Group. The use of Data received from Third Party Content Providers by iA Financial Group is authorized under licence.

The information presented in this publication is provided for informational purposes only. iA Financial Group and Third Party Content Providers make no representations or warranties as to the information contained herein and no not guarantee its originality, accuracy or completeness. iA Financial Group and Third Party Content Providers disclaim all liability in respect of this information or the use or misuse thereof.

The investment funds offered by iA Financial Group ("Funds") are not sponsored, endorsed, sold or promoted by Third Party Content Providers. Third Party Content Providers make no representation as to the relevance of investing in the Funds, offer no guarantee or conditions in respect thereof, or assume liability in respect of their design, administration or negotiation.

Financial and economic publications of iA Financial Group are not written, reviewed or approved by Third Party Content Providers.

Any information contained herein may not be copied, used or distributed without the written consent of iA Financial Group and/or the relevant Third Party Content Provider.

Where FTSE indexes are used, or referenced: FTSE International Limited ("FTSE") © FTSE [2018] ® is a trademark of the London Stock Exchange Group companies and is used by FTSE under licence. "NAREIT®" is a trademark of the National Association of Real Estate Investment Trusts and used by FTSE under licence. "EPRA®" is a trademark of the European Public Estate Association and used by FTSE under licence. "TMX" is a trademark of the TSX Inc. used by FTSE under licence.

NASDAQ®, OMXTM, NASDAQ-100® and NASDAQ-100 Index® are registered trademarks of NASDAQ Inc. and are licensed for use by iA Financial Group.

Where the Global Industry Classification Standard (GICS) is used or referenced: the GICS was developed by MSCI Inc. ("MSCI") and Standard & Poor's Financial Services LLC ("S&P") and is licensed for use by iA Financial Group.

The International Equity Index Fund, the Global Equity Index ACWI Fund, the Global Stock Account, the European Stock Account and the International Stock Account are each indexed to an MSCI index. MSCI indexes are licensed for use by iA Financial Group. For more information about the MSCI indexes, visit htpps://msci.com/indexes.

INVESTED IN YOU.